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Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields

Follow-up to the outcome of the Millennium Summit

Implementation of decisions contained in the 2005 World Summit Outcome for action by the Secretary-General

Comprehensive review of governance and oversight within the United Nations and its funds, programmes and specialized agencies

Report of the Secretary-General

Addendum

Report of the independent Steering Committee

Volume I
Executive summary and project scope, background and context

Volume II
Governance and oversight principles and practices

Volume III
Governance: current United Nations practices, gap analysis and recommendations

A/60/883/Add.1

United Nations

Comprehensive Review of Governance and Oversight within the United Nations, Funds, Programmes and Specialized Agencies

Volume I

Executive Summary and Project Scope, Background and Context

June 2006

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The information contained in this report was created solely for the intended benefit of the UN and is not intended to be relied upon by any other party or with respect to any specific transaction.

Executive Summary

1.1 Introduction

1. The United Nations and its associated Assemblies of Member States pose a distinctive governance challenge - how to ensure that openness and transparency can be combined with efficiency and effectiveness in a body with a unique intergovernmental global context. To achieve such ideals, a strong and effective system of oversight with a transparent, accountable and efficient mechanism of governance is indispensable.

2. This review provides:

   - a UN Code of Governance, for consideration and adoption system-wide;
   - recommendations for improvements in governance, to strengthen executive management effectiveness and accountability, ensure better use of independent expert advice and enhance effective management of ethical issues;
   - recommendations for action to change and improve the UN OIOS function; and
   - recommendations to strengthen the wider system of oversight within the UN system, *inter alia* through effective and independent governing audit committees.

3. The output from this review comes at a particularly sensitive time. As the UN system is striving to improve and reform, it faces substantial political, financial and operational demands and pressures. Given the nature and importance of the UN system, such pressures will continue. Therefore, the recommendations in this review should be seized as an opportunity to make step changes in key oversight mechanisms and significant improvements in key governance matters. It also provides a UN Code of Governance derived from global principles, indicating how to develop and maintain strong governance

and oversight practices now and into the future. Accordingly, this set of recommendations should be adopted in its entirety.

4. This report is produced in five volumes as follows:

Volume I	Executive Summary and Project Scope, Background and Context
Volume II	Governance and Oversight Principles and Practices
Volume III	Governance – UN Current Practices, Gap Analysis and Recommendations
Volume IV	Oversight – UN Current Practices, Gaps Analysis and Recommendations
Volume V	Review of the Office of Internal Oversight Services ("OIOS")

1.2 Volume I - Project Scope, Background and Context

5. Volume I describes the **Project Scope, Background and Context**. This review is one element of several major reform initiatives within the UN system, which finds itself at a juncture where Member States and other stakeholders are eager to ensure that the UN system is provided with the necessary advice, means and tools to face the future with confidence. Requested by the UN Secretariat as mandated by the UN General Assembly, the review was to:

- establish governance and oversight best practices researched from the private and public sectors outside the UN system;
- compare the UN family of entities with best practice and point out any significant gaps;
- make recommendations for improvement based on a closer examination of a sample of five entities; and
- in a parallel part of the project, provide an in-depth review and recommendations for strengthening and improving the OIOS of the UN Secretariat.

6. This review was carried out under the guidance of a Steering Committee comprised of international independent experts. The Steering Committee monitored the research and analysis of this review closely and contributed substantially to the formulation of the Code, best practices and the recommendations of this report. The Terms of Reference (ToR) for the project are attached as Appendix 1, together with the HLCM text on the Terms of Reference. The Terms of Reference for the Steering Committee, as issued by the UN Secretariat, are found in Appendix 2.

7. Research on the best practices was deliberately focused on worldwide public and private sectors outside the UN. However, during the formulation of conclusions and recommendations, the distinctive international and intergovernmental characteristics of the UN were taken into account.

8. The initial phase of the study, which identified gaps against best practices, covered virtually the entire UN system regarding oversight (all funds, programmes and specialized agencies, as well as the UN Secretariat and other bodies). The research on governance covered all entities over which the General Assembly has purview and the International Civil Aviation Organisation.

1.3 Volume II - Governance and Oversight Principles and Practices

9. Volume II provides **Governance and Oversight Principles and Practices.** It includes a chapter on explanatory statements and terminology and introduces the UN Code of Governance, which was founded on external best practices but adapted to UN circumstances. The UN Code of Governance is recommended for consideration and adoption by UN entities and should underpin actions taken by those with governance and oversight responsibilities, both individually and collectively. The results described in Volume II were achieved based on the following steps:

Phase 1

- Worldwide research on multiple models, codes, regulations and guidance materials, both in public and private sectors, of good governance and oversight practices was conducted.
- In the context of the UN environment and terminology, a set of externally-derived Good Governance and Oversight Principles was produced and compared against current UN governance and oversight practices.
- Information on current UN practices of governance and oversight was gathered from further desk research, fact finding and interviews with over 40 UN entities.
- A gap analysis (see Appendix 1of Volume III and Appendix 1 of Volume IV) was produced.
- The proposed UN Code of Governance (see Section 2.3, Volume II) was formulated and is recommended for consideration and adoption.

Phase 2

- Five UN entities were selected for more in-depth fact finding and analysis of gaps identified during Phase 1.
- Recommendations for improvements in governance and oversight practices of each UN entity were then formulated based on the UN Code of Governance.
- Details of these recommendations, their benefits and costs are provided (see Appendix 2 of Volume III and Appendix 2 of Volume IV).

10. This cohesive set of recommendations were built upon the suggested UN Code of Goverance that was derived from the Good Governance and Oversight Principles. Implementing the Code and the cohesive set of recommendations will ensure that the UN

adopts goverance and oversight best practices. Accordingly, this set of recommendations should be adopted in its entirety.

1.4 Volume III - Governance - Current UN Practices, Gap Analysis and Recommendations

11. Volume III provides a set of recommendations for enhanced governance. They are summarised as follows:

Recommendations	***Reference***
1. Strengthen results-based management in budgets and reporting.	Volume III, Section 3.3.1.1
2. Strengthen the overall accountability of executive management of the UN Secretariat.	Volume III, Section 3.3.1.2
3. Strengthen the term limits and qualifications of expert committees and the independence of their members.	Volume III, Section 3.3.1.3
4. Strengthen procedures of the General Assembly's Administrative and Budgetary Fifth Committee.	Volume III, Section 3.3.1.4
5. Improve co-ordination of decisions on programmes and resource allocation.	Volume III, Section 3.3.1.5
6. Strengthen the effectiveness, transparency and independence of all committees.	Volume III, Section 3.3.2.1
7. Establish appropriate disclosure, ethics and whistleblower policies.	Volume III, Section 3.3.2.2

1.5 Volume IV - Oversight - Current UN Practices, Gap Analysis and Recommendations

12. Volume IV provides recommendations for enhanced oversight. They are summarised as follows:

Recommendations	*Reference*
1. Implement a systematic risk management (ERM) framework.	Volume IV,. Section 4.3.1.1
2. Assign responsibility for internal controls and reporting on internal controls' effectiveness to executive management	Volume IV, Section 4.3.1.2
3. Implement the General Assembly's resolution to establish an Independent Audit Advisory Committee (IAAC).	Volume IV, Section 4.3.1.3
4. The Joint Inspection Unit (JIU) should be discontinued.	Volume IV, Section 4.3.1.4
5. Set new standards for oversight of inter-agency programmes.	Volume IV, Section 4.3.1.5
6. Based upon the participants within the sample study, set up audit committee for ICAO and enhance the operational independence of the internal audit function within UNHCR, UNDP and UNICEF.	Volume IV, Section 4.3.2.1
7. Based upon the participants within the sample study, clarify responsibilities of the UNHCR Oversight Committees with joint responsibilities for internal audit, investigations and evaluations.	Volume IV, Section 4.3.2.2

1.6 Volume V - Review of Office of Internal Oversight Services ("OIOS")

13. In parallel with the above, a review of the UN OIOS (see Volume V) was conducted. The major recommendations for strengthening the UN OIOS are summarised below:

Recommendations	***Reference***
1. Acknowledge management's responsibility over setting risk tolerance, implementing controls and managing risk.	Volume V, Section 5.5.2
2. Transfer evaluations and management consulting activities to line management	Volume V, Section 5.5.3
3. Focus the OIOS on internal auditing, including auditing the process management uses to perform evaluations	Volume V, Section 5.5.3
4. Transfer investigations to the office of Legal Affairs and separate the activity between security matters and forensic accounting matters	Volume V, Section 5.5.3
5. Define in a statement from the General Assembly those UN organisations for which the OIOS has responsibility	Volume V, Section 5.5.1
6. Reaffirm that there should be no barrier to the OIOS accessing people or documents to perform its work	Volume V, Section 5.5.1
7. Create a budget for the OIOS based on a risk assessment and strategy for the Office.	Volume V, Section 5.5.1
8. Remove the OIOS from discussions on the allocation of cost for its services	Volume V, Section 5.5.1
9. Grant the OIOS control over standards for hiring, promoting and terminating its personnel	Volume V, Section 5.5.1
10. The OIOS should report administratively to the Secretary-	Volume V, Section 5.5.1

Recommendations	***Reference***
General or Deputy-Secretary-General	
11. The OIOS should report functionally to the Independent Audit Advisory Committee ("IAAC")	Volume V, Section 5.5.1
12. The Deputy-Secretary-General should sponsor the OIOS' activities within the organisation. This includes the responsibility for settling disputes	Volume V, Section 5.5.1
13. The IAAC should provide oversight of the OIOS	Volume V, Section 5.5.1
14. The OIOS should have free and open access to the IAAC	Volume V, Section 5.5.1
15. The IAAC should advise the General Assembly on the progress of the OIOS against its plan and significant issues arising from OIOS activities	Volume V, Section 5.5.1
16. Draft audit reports should be shared with programme management to obtain their comment	Volume V, Section 5.5.7
17. Reports should be issued to programme management and the IAAC without interference	Volume V, Section 5.5.7
18. The practice of separate commentary on OIOS reports from the Secretary-General should cease	Volume V, Section 5.5.7
19. Reports should continue to be available to members states on request through the IAAC once the reporting process has been completed	Volume V, Section 5.5.1
20. The term limit for the Head of the OIOS should be revisited	Volume V, Section 5.5.4
21. The working practices of the OIOS should be strengthened	Volume V, Section 5.5.5

Recommendations	***Reference***
22. An inventory of staff skills should be assessed and shortfalls, including Information and Communication Technology ("ICT") skills should be resolved quickly	Volume V, Section 5.5.5
23. A risk assessment should be performed, under a new risk assessment framework, as the basis for a revised budget	Volume V, Section 5.5.5

Project Scope, Background and Context

1.7 Project Terms of Reference, Structure and Deliverables

1.7.1 Project Origins

14. The 57th session of the General Assembly adopted a resolution in 2003 requesting the Secretary-General and the Executive Heads of the UN funds and programmes "to examine governance structures, principles and accountability."[1] This task was reiterated in 2005, with a renewed resolution to "examine governance principles and report thereon to the GA at its 61st session," as well as strengthen the internal control framework and report on findings regarding experiences of audit committees within the United Nations system.[2]

15. This request was subsequently reiterated in resolution 59/264 A. Pursuant to paragraph 164 (b) of resolution 60/1, the Secretary-General has prepared terms of reference for a "comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system of the United Nations, including the specialized agencies, including the roles and responsibilities of management, with due regard to the nature of the auditing and oversight bodies in question."

16. On November 25, 2005, the United Nations Procurement Service issued a Request for Proposal (RFPS-886) with a submission deadline of January 6, 2006, to carry out a "Comprehensive Review of Governance and Oversight of the United Nations, Funds, Programmes and Specialized Agencies." RFPS-886 included specific UN Terms of Reference (ToR) for the study drawn from earlier UN General Assembly resolutions and these ToR formed the basis for bidders' responses. PricewaterhouseCoopers (PwC)

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[1] Source : A/Res/57/278

[2] Source : A/Res/59/264

participated in this competitive tender and was notified on February 2nd that it had been selected to carry out the work. PwC performed the technical work for the project supported by its sub-contractor, Dalberg Global Development Advisors.

1.7.2 Terms of Reference and Project Structure

17. According to the ToR, and to the subsequent proposal submitted by PwC, the project comprises two main parts:

1.7.2.1 Governance and Oversight Review

Phase 1:

a. Establish Best Practice Governance and Oversight Structures within public and private sectors.

b. Comparative Analysis (with a. above) of Governance and Oversight Structures of the UN Secretariat, Funds, Programmes and Specialized Agencies against identified Best Practices ("gap analysis").

Phase 2: Recommendations on improving governance and oversight structures based on a representative sample of UN entities (including the Secretariat) and cost and effectiveness of the recommended changes.

1.7.2.2 Review of the UN Office of Internal Oversight Services (OIOS)

18. Review the independence, responsibilities, structure, resources, funding, value added, benchmarking of performance and produce comprehensive recommendations for strengthening and improving the OIOS.

1.7.3 Deliverables

1.7.3.1 Governance and Oversight Review - Phase 1a: The Principles (see Volume II)

19. The Good Governance and Oversight Principles were derived from the following sources:

- worldwide public sector codes and practices;
- worldwide private sector codes and practices;
- international standards and normative institutions in the area of governance and oversight;
- independent Steering Committee members' experiences; and
- PwC's expertise.

20. Details of the external public and private sector codes and practices are given as part of Volume II. The principles are further developed in the form of the proposed UN Code of Governance (see section 2 of Volume II).

1.7.3.2 Governance and Oversight Review - Phase 1b: Gap Analysis and Phase 2: Recommendations

21. Phases 1b and 2 have been integrated and are provided in two volumes:

Volume III - Governance - Current Practice, Gap Analysis and Recommendations

Volume IV- Oversight - Current Practice, Gap Analysis and Recommendations

22. Phase 1b maps current governance and oversight practices of the UN system against the Good Governance and Oversight Principles established in Phase 1a. A gap analysis details current UN practices that are broadly correspond to the principles and identifies significant gaps where current UN practices are not in line with the principles.

23. Over 40 entities from within the UN system contributed to the gap analysis. The analysis describes the wider UN governance and oversight status from the perspective of the UN system as a whole but, for the specialized agencies, with an emphasis on oversight only (see section 1.2, paragraph 8). Some specific references are given for certain major governing bodies of the UN and other system-wide institutions, but no attempt is made to name individual UN entities in the gap analysis. The research included over 160

interviews and enabled the formation of perspectives as to the existence and materiality of gaps that occur widely, though some differences exist among the various UN entities.

24. Phase 2 builds upon the identified gaps through research and analysis of a sample of five UN entities in order to provide specific recommendations for improvements of governance and oversight. This sample included the following UN entities:

    - UN Secretariat
    - UNDP – United Nations Development Programme
    - UNICEF – United Nations Children's Fund
    - UNHCR – United Nations High Commissioner for Refugees
    - ICAO – International Civil Aviation Organisation

25. The recommendations are supported by guidance on implementation and provide the expected benefits and, where appropriate, any significant costs of recommended changes. The goal of the recommendations is to help strengthen alignment to the UN Code of Governance – both for the five UN entities and, where relevant, the wider UN system. Consideration has been given to the applicability of UN-specific circumstances, and recommendations have been tailored without compromising the purpose embodied in each principle.

1.7.3.3 Review of the UN Office of Internal Oversight Services ("OIOS") (see Volume V)

26. In parallel with Phase 1 of the Governance and Oversight Review and in accordance with the ToR, a review was undertaken of the UN OIOS. This review focused on the appropriate level of independence from management, the adequacy of resources compared to its remit, the appropriate breadth of functions, its reporting mechanisms and optimal organization and effectiveness. The approach for this review consisted of a five stage methodology of planning, data gathering, assessment, solution development and reporting. The review not only compared current UN OIOS practices against relevant standards, such as the Institute of

Internal Auditors (IIA) Standards, but also evaluated stakeholder needs against best practices. It also assessed the degree to which the UN OIOS operates independently within the current UN funding and reporting structure and the manner in which the UN OIOS prioritises projects and activities.

1.8 Usage and Limitations of Report

27. The UN Code of Governance is based upon best principles and best practices gathered externally from the UN system and have wide recognition in the public and private sectors. The proposed application of the Code respects the unique international and intergovernmental characteristics of the UN. Indeed, concepts and principles such as accountability, oversight, ethical standards, fairness, responsibility and transparency are at the forefront of UN ideals.
28. The recommendations for change and improvement in this report will have tangible benefits to the UN. The information contained in this report was created solely for the intended benefit of the UN and is not intended to be relied upon by any other party or with respect to any specific transaction.

1.9 Independent Steering Committee

29. The Secretary-General appointed an independent Steering Committee of six recognised international experts in the area of governance and oversight and international public body management to guide and oversee the project team in its work. The Terms of Reference, as issued by the UN Secretariat, are in Appendix 2.

1.10 Summary of Approach and Work Completed

30. For Phase 1 of the Governance and Oversight Review, the approach was as follows:

- researched and analyzed governance and oversight best practices from around the world;
- completed desk research of the current governance and oversight structures of over 40 UN entities;
- performed over 160 interviews gathering further governance and oversight information from representatives of Member State Groups and from executive management of the UN entities;
- participated in collaboration meeting with the HLCM Ad-hoc Group, specifically at a meeting on 18th April 2006;
- ensured on-going collaboration with the project's Independent Steering Committee; and
- consulted with PwC expert advisors on the gap analysis results.

31. For Phase 2 of the Governance and Oversight review, the approach was as follows:

- confirmed the current practices and identified gaps arising from the Phase 1 work;
- conducted further interviews and analysis with representatives from the five UN entities concerned;
- assessed the effectiveness of the current practices;
- challenged the identified gaps and potential ways to bridge the gaps to achieve better or best practice;
- where practical and relevant, completed a cost impact analysis on recommended changes; and
- finalized recommendations for improvements.

1.11 Context within UN Reform Initiatives

32. Reform has been high on the agenda of the United Nations for some time. Nonetheless, the UN Charter and the missions and mandates of various UN entities have largely remained unchanged since the organisation was founded. Indeed, the origins of some of the specialized agencies go back much further. Many of the associated governing structures are based on these original foundations. While it does not necessarily follow that old structures are somehow deficient, it is good practice to step back and independently assess whether governance and oversight structures are still appropriate and effective to meet modern day challenges, including the increased scope and complexity of the overall UN system. In addition, there have been major developments in both public and private sectors beyond the UN, including in the field of governance and oversight.

33. During the past year, pressure to reform the UN has increased considerably. It was a major topic on the agenda for the World Summit meeting in September 2005, which resulted in reform proposals for the organization.

34. Subsequently, the Secretary General has proposed several specific reform initiatives, including wide-ranging reform proposals set out in the Secretary General's report, "*Investing in the United Nations: For a Stronger Organization Worldwide.*" This report includes several proposals covering key areas such as people, leadership, information and communications technology, delivering services, budget and finance, governance and investing in change. Additional reform proposals include the following:

- the establishment of a UN Ethics Office;
- proposals for the establishment of an Independent Audit Advisory Committee (IAAC); and

- the appointment of the High-Level Panel and study on UN system-wide Coherence in the Areas of Development, Humanitarian Assistance and the Environment.

35. The outputs from this Governance and Oversight Review will be complementary to the above initiatives. Furthermore, these will help with implementation of any further organisational changes resulting from the above UN reform initiatives.

1.12 UN System Characteristics

36. Unique characteristics of the UN system are of particular relevance to the topics covered in the review, especially since differences may exist between the UN's circumstances and other external organisations where some best practices have originated.

1.12.1 Universal Representation

37. The unique value of the UN and its funds, programmes and specialized agencies is the universal representation and sovereign equality of its membership. The UN system provides a platform for discussion and resolution of issues for world governments. This is an undeniable and *sine qua non* success factor for many notable achievements and advances brought about by the UN system. However, it is also an over-arching characteristic that makes decision making more complex than in other multinational environments. The challenge for the UN is to retain and leverage the universal coverage and co-operation of 190 countries whilst alleviating the accompanying complexity.

1.12.2 Governance and Different Sources of Funding

38. The UN and its entities are funded on the one hand from assessed government contributions, to which Member States have committed, and on the other from voluntary funds, which can be provided or not according to the contributor's own judgement. While the first may be considered fixed and binding, the second can be seen in a context of offer and demand where contributors provide funds in areas of their choice, and require a greater say in their use. Over time, the proportion of voluntary funding overall has

increased substantially, while regular budgets have grown at a slower pace. Reference will be made in the gap analysis and in the recommendations on governance differences related to the two funding sources.

1.13 Representatives from UN Entities Contributing to this Review

39. Representatives from the following UN entities contributed to this review:

United Nations	- Executive Office of the Secretary General (EOSG) - Office of Legal Affairs (OLA) - Department of Political Affairs (DPA) - Department of Management (DM) - Department of Safety and Security (DSS) - Department for Disarmament Affairs (DDA) - Department for Peace-keeping Operations (DPKO) - Department of Economic and Social Affairs (DESA) - Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS) - Office for the Coordination of Humanitarian Affairs (OCHA) - Department of Public Information (DPI) - Department for General Assembly and Conference Management (DGACM) **12 UN Secretariat departments and offices**

	- Economic and Social Commission for Asia and the Pacific (ESCAP) - Office of the United Nations High Commissioner for Human Rights (OHCHR) - Office of the United Nations High Commissioner for Refugees (UNHCR) - United Nations Office on Drugs and Crime (UNODC) **4 UN Commissions and other entities**
	- 5th Committee of the General Assembly (GA) - Advisory Committee on Administrative and Budgetary Questions (ACABQ) - Committee for Programme and Coordination (CPC) - Board of Auditors (BoA) - UN General Assembly (GA) **5 Governing Bodies, Committees, Entities**
UN Funds and Programmes	- United Nations Development Programme (UNDP) - United Nations Children's Fund (UNICEF) - United Nations Population Fund (UNFPA) - United Nations Relief Works Agency for Palestine Refugees in the Near East (UNRWA) - United Nations Conference on Trade and Development (UNCTAD) - United Nations Human Settlements Programme (UN-HABITAT) - World Food Programme (WFP) - United Nations Environment Programme (UNEP) - International Trade Centre (ITC) **8 Funds and Programmes**

Specialized Agencies	- International Labour Organization (ILO) - Food and Agriculture Organization of the United Nations (FAO) - United Nations Educational, Scientific and Cultural Organization (UNESCO) - International Civil Aviation Organization (ICAO) - World Health Organization (WHO) - Universal Postal Union (UPU) - International Telecommunication Union (ITU) - World Meteorological Organization (WMO) - International Maritime Organization (IMO) - World Intellectual Property Organization (WIPO) - United Nations Industrial Development Organization (UNIDO) - United Nations World Tourism Organization (UNWTO) - International Fund for Agricultural Development (IFAD) **13 Specialized Agencies**
UN Common System	- Panel of External Auditors (PoEA) - Joint Inspection Unit (JIU) - International Civil Service Commission (ICSC) - United Nations Joint Staff Pension Fund (UNJSPF) **4 Common System Entities**

40. These UN representatives came from a wide range of UN entities and provide a basis for analysis of gaps against best practices. However, given the diversity of missions and operations covered, it is understood that governance and oversight arrangements cannot

necessarily adopt a "one-size-fits-all" scenario. Therefore, "adopt or explain" needs to be applied, where variances in funding, memberships and operations exist.

1.13.1 Participation of the Specialized Agencies

41. At the end of February 2006, following a meeting of the High-Level Committee on Management (HLCM), certain specialized agencies were not fully in agreement with the initial ToR for the review and, as a result, were prepared to participate in the oversight aspects of the review with the option of participating in the governance aspects. To help align with this position and in light of recent UN GA resolutions, the gap analysis and recommendations contained within this report are presented in two parts found under Volume III (Governance) and Volume IV (Oversight). To further facilitate collaboration, soundings and a review meeting on the Good Governance and Oversight Principles have been held with representatives of the HLCM Ad-hoc Group, which was appointed by the HLCM.

1.13.2 The JIU Oversight Lacunae Report

42. During 2005, the UN Joint Inspection Unit (JIU) carried out a study on Oversight Lacunae in the UN system. The report was issued in March 2006 and constitutes a source of information that was taken into account during this review.

Appendices

2.14 Appendix 1: UN Terms of Reference

Terms of reference for the comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system within the United Nations and its funds, programmes and specialized agencies[3]

I. Overview

1. Pursuant to paragraph 164 (b) of General Assembly resolution 60/1, the independent external evaluation will be conducted and shall consist of a review of best practice governance and oversight structures within the public and private sectors, a comparative analysis of governance and oversight structures within the United Nations and its funds, programmes and specialized agencies, the development of detailed options for model governance and oversight structures and mechanisms for the United Nations and a representative sample of its funds, programmes and specialized agencies.

2. The evaluation shall also include a review of the Office of Internal Oversight Services (OIOS), as part of the United Nations oversight machinery. It will include the development of options for the optimal level of independence, organizational structure and resource requirements that meet identified best practices.

II. Scope

3. This independent external evaluation will consist of two main elements: a governance and oversight review, to be completed within two phases; and a review of OIOS, providing audit, investigation, inspection, programme

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[3] Extract from the Secretary General's report to the General Assembly, A/60/568

monitoring, evaluation and consulting services to the Secretary-General and the General Assembly.

4. Phase 1 of the governance and oversight study will apply to the United Nations and its funds, programmes and specialized agencies. Phase 2 of the governance and oversight study will only cover the United Nations and a representative sample of its funds, programmes and specialized agencies as determined by the High Level Committee on Management. The review of OIOS will be undertaken in parallel and in conjunction with the governance and oversight review.

5. The tasks shall be to:

(a) Identify best international practices and models in governance, oversight and audit within the public and private sectors, including but not limited to:

(i) Accountability, audit and oversight;

(ii) Management and its relationship with the members, governing bodies and other subsidiary organs, staff and wider stakeholders of the organizations;

(iii) Focusing upon purpose and outcomes;

(iv) Performing effectively in clearly defined functions and roles;

(v) Promoting values for the whole organization and demonstration of the values of good governance and oversight through behaviour;

(vi) Taking informed, transparent and effective decisions in all areas, including performance, risk and financial management;

(vii) Providing the support and capacity for governing structures to make effective decisions;

(b) Study, through desk research and interviews, the mission statements, objectives, mandates and related founding documents of the United Nations and its funds, programmes and specialized agencies, taking into account broader relations within the United Nations system and the authority of governing bodies and other existing governance mechanisms. This research, together with the best internal practices identified in subparagraph (a) above, should be brought together to determine the optimal models of governance and oversight that will:

(i) Engender and promote the highest standards of ethics and organizational values and ensure that processes are in place to protect and advance the integrity and reputation of the organizations;

(ii) Promote accountability to members, stakeholders and the general public;

(iii) Deliver value for money outputs and services;

(iv) Enable effective balance and engagement of the interests of members;

(v) Improve management effectiveness and transparency;

(c) Undertake a review of OIOS with the primary objective of providing a basis for decision-making with respect to the appropriate level of independence from management, the adequacy of resources compared to its remit, the appropriate breadth of functions to be provided by OIOS, its reporting mechanisms and the organization and structure of OIOS for optimum resource utilization and effectiveness, given the complex structure of the United Nations. This review will also include, but is not limited to, the following:

(i) To benchmark OIOS against similar audit and oversight bodies;

(ii) To undertake a review of the breadth of functions provided by best practice internal audit and oversight functions, to identify any gaps and propose options as to where these functions should best be carried out;

(iii) An evaluation of the appropriate level of independence of OIOS from management, in particular with respect to funding, budgetary control and human resources management, and to recommend options for a fair and neutral mechanism for the adjudication of budgets for OIOS, within the framework of the proposed independent audit advisory committee;

(iv) The establishment of a detailed costed plan for the implementation of the above recommendations, as well as a framework for the continuous monitoring and evaluation of the success of the implementation.

III. Required outputs

6. In drawing together the results of the study, a number of outputs will be required.

A. Governance and oversight

7. The review of governance and oversight may be satisfied within two phases:

(a) The first report shall identify suitable best international practice in governance and oversight and undertake a gap analysis between the identified best practice in governance and oversight and those applied at the United Nations and its funds, programmes and specialized agencies, informing the whole system of issues of global relevance;

(b) Building upon the first report, the second report shall review the costs and effectiveness of the current governance and oversight structures and determine changes to the existing governance and oversight structures that will strengthen the fiduciary capability, transparency, efficiency and effectiveness of the United Nations and the representative sample of its funds, programmes and specialized agencies to be studied, taking into account ongoing simplification and harmonization initiatives. This report should, inter alia:

(i) Clarify the role and responsibilities of management with respect to supporting Member States, governing bodies and other subsidiary organs, staff and other interested stakeholders;

(ii) Define, for the purposes of governance and oversight, the required committees, boards and other management and inter-agency bodies, including the provision of draft constitutional documents, reporting lines and key practices for Member States, management and oversight bodies alike;

(iii) Define, for the purposes of governance and oversight, the necessary inter-agency bodies, their membership, key practices, roles and responsibility towards providing value added services to the United Nations and its funds, programmes and specialized agencies;

(iv) Define the functions required within each committee, board and management and inter-agency body and their respective roles and responsibilities within the governance and oversight machinery;

(v) Identify value statements for the decision-making process of each board or committee underlying the governance and oversight functions of each organization, incorporating the principles of collective responsibility for decisions and the equality of status in discussions and models of conduct;

(vi) Propose measures that will increase transparency of the decision-making process at all levels within the organizations, including policies relating to the publication of statements of their purposes, strategy, plans and financial statements, as well as information about their outcomes, achievements and the satisfaction of service users during the previous period;

(vii) Propose measures to improve the communication channels, learning and knowledge management within and across the governance and oversight mechanisms;

(viii) Identify appropriate key performance indicators for the performance management of external audit services;

(ix) Establish detailed costed plans for the implementation of the above recommendations.

B. Review of the Office of Internal Oversight Services

8. To develop a fully costed implementation plan for OIOS that shall take into account all of the findings and recommendations resulting from the

review of OIOS, including, as appropriate, the vision of the Under-Secretary-General for Internal Oversight Services, which clearly defines, but is not limited to:

(a) The level of operational and managerial independence from the management of the organizations and the appropriate oversight apparatus for OIOS;

(b) The services and responsibilities to be satisfied through OIOS and those that should be satisfied elsewhere;

(c) The optimal organizational structure and adequate resource requirements;

(d) The source of funding and cost-sharing mechanisms for services provided on an internal and intra-agency basis;

(e) Strategies to ensure the provision of value added services through OIOS, including programmes to maintain and update skills, keep abreast of developments within the internal audit and oversight arenas;

(f) The strategy to continuously benchmark the performance of OIOS against other such service providers.

C. Procedures

9. A Steering Committee, composed of five internationally representative independent experts in the field of governance and oversight, including as appropriate expertise in international public management, shall be established by the Secretary-General, with the responsibility to coordinate and supervise the development and implementation of the entire project. Its mission shall be performed through regular meetings.

10. The Steering Committee shall work in full consultation with OIOS, the Panel of External Auditors (including the Board of Auditors), the Joint Inspection Unit and the High Level Committee on Management, as necessary.

11. The results of each phase of the study will be compiled within reports that shall be submitted to the Steering Committee. These progress reports shall be presented to the Steering Committee, for its consideration. These reports should cover aspects such as:

(a) Progress achieved during the period in respect of the technical research and drafting of the evaluation study;

(b) Delays in the evaluation and corrective measures to recover these delays.

12. The Steering Committee shall submit the reports on governance and oversight to the Secretary-General, and to the Executive Heads of participating agencies, funds and programmes, as relevant. The Steering Committee shall submit the report of the review of OIOS to the Under-Secretary-General for Internal Oversight Services. The Steering Committee shall submit a full and final report on governance and oversight, incorporating the review of OIOS, to the Secretary-General for transmission to the General Assembly.

13. The evaluation shall be conducted in close cooperation with the United Nations and its funds, programmes and specialized agencies so as to maximize the use of internal resources and to make sure that at the end of the project, staff have acquired an extensive knowledge of the proposed solutions.

D.Selection criteria

14. Selection of the consultants will be made on an international competitive basis based upon the following:

(a) Demonstrated experience in undertaking similar projects successfully within large public sector and/or multinational clients and international non-governmental organizations;

(b) Demonstrated capability to develop, adapt and apply best practice methodologies and principles successfully to the client organizations;

(c) Demonstrated understanding of the needs of stakeholders, as well as the financial framework and governance and oversight structures of large public sector and/or multinational clients;

(d) Demonstrated understanding of the varying issues facing locations spread globally and the ability to produce solutions that can be applied successfully to global operations.

IV.Timeline

15. The first phase report on governance and oversight is required by April 2006, and the final consolidated report on governance by 31 May 2006. The report on OIOS is also required by April 2006. Given the close interrelationship between oversight services and governance, the successful consultancy may choose to deliver the second phase of the governance report earlier, as appropriate.

HLCM - Item 4(a)

UN system collaboration on accountability and transparency

(Text considered by the sub-group oh HLCM on 27/28 February 2006)

The General Assembly, in Resolutions A/57/278 A and A/59/264 A, requested an examination of governance structures, principles and accountability of the UN Secretariat and its Funds and Programmes.

Resolution A/60/1, paragraph 164(b), provided the mandate for "*... an evaluation of the auditing and oversight system of the United Nations, including the specialized agencies, including the roles and responsibilities of management, with due regard to the nature of the auditing and oversight bodies in question. This evaluation will take place within the context of the comprehensive review of the governance arrangements*".

Draft Terms of Reference for a study covering both the governance review and the auditing, investigatory and other related oversight functions were proposed by the Secretary General in his Report A/60/568. The General Assembly at its sixtieth session approved funding for the study without adopting, modifying, or rejecting the proposed Terms of Reference.

The HLCM, having considered the proposals contained in Annex II of A/60/568, agrees that the study should separate its outputs into two separate reports, one focusing on governance, and the other on auditing, investigatory and other related oversight functions.

Bearing in mind the original mandates included in Resolutions A/57/278 A and A/59/264 A, the scope of the governance review would cover the operations of the UN Secretariat and its Funds and Programmes. The Specialized Agencies and other inter-governmental bodies may participate in this process to ensure that the best practices in the various organizations are taken into account.

In light of the above, HLCM agrees that the draft Terms of Reference for the study contained in Annex II of A/60/568 should be modified to reflect that:

a. The evaluation of auditing, investigatory and other related oversight functions would include the UN Secretariat, its Funds and Programmes, and the Specialized Agencies.

b. The governance review would cover the UN Secretariat and its Funds and Programmes.

Each organization will nominate a focal point for the purpose of coordinating with the ongoing study.

The HLCM will designate an ad-hoc group to consult with the Steering Committee, to ensure that HLCM's views are fully represented to the Steering Committee and to the Consultants. The UN Secretariat will ensure that the HLCM is kept up to date on all developments in the progress of the study.

HLCM also notes that the Steering Committee will submit the reports on governance and oversight to the Secretary-General, who would share them with the Executive Heads.

2.15 Appendix 2: Terms of Reference -- The Secretary General's Independent Steering Committee

Terms of Reference

Steering Committee for the comprehensive review of governance and oversight within the United Nations, and its funds, programmes and specialized agencies

UNITED NATIONS – DM/OPPBA/OC

V2.0 – 16-March -2006

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I. Background

1. The need for a review of governance and oversight mechanisms has been the subject of requests by the General Assembly at its fifty seventh[4] and fifty ninth[5] sessions, on the basis of the Board of Auditors' endorsed recommendations. In response to a recommendation of the 2005 World Summit[6], plans were set out in the Secretary General's report A/60/568 of 28 November 2005 to undertake a comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight in the United Nations' system.

2. The comprehensive review of governance arrangements shall consist of a review of best practice governance and oversight structures within the public and private sectors, a comparative analysis of governance and oversight structures within the United Nations and its funds, programmes and specialized agencies, the development of detailed options for model governance and oversight structures and mechanisms for the United Nations and a representative sample of its funds, programmes and specialized agencies.

3. The comprehensive review shall also include a review of the Office of Internal Oversight Services (OIOS), as part of the United Nations oversight machinery. It will include the development of options for the optimal level of independence, organizational structure and resource requirements that meet identified best practices.

4. The review is to be performed by consultants. Following an international competitive bidding process, this review has been awarded to PricewaterhouseCoopers (PwC), Geneva. Mr. Richard Golding is the designated PwC Project Leader. Their terms of reference are set out at Annex I.

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[4] Resolution adopted by the General Assembly, Financial reports and audited financial statements, and reports of the Board of Auditors, A/57/278, paragraph 6.

[5] Revised Draft Outcome Document of the High-Level Plenary Meeting, A/59/HLPM/CRP.1/REV.2, 10/8/2005, paragraph 147.

[6] Paragraph 164 (b) of General Assembly resolution 60/1.

5. A project has been established to manage the review that shall be overseen by a Steering Committee. The Steering Committee shall consist of independent international experts in the fields of governance and oversight drawn widely from geographic regions, together with an international public sector practitioner to advise on the intergovernmental system. The Steering Committee shall report directly to the Secretary General.

II. Role of the Steering Committee

6. The Steering Committee has the overall responsibility for the independent expert direction of the project, and the endorsement of project outputs. The role of the Steering Committee is to:

- Provide independent and objective oversight to the project;
- Ensure that the project meets the goals as set out in the terms of reference and underlying rationale for the review;
- Keep the project scope under control as emergent issues force changes to be considered;
- Monitor and review the status of the project, ensuring progress and adherence to best practice in its outcomes and deliverables;
- Resolve any major issues between the project management and stakeholder groups;
- Provide direction and advice to project management when needed;
- Report to the Secretary General on project progress; and
- Endorse[7] and submit final reports, as per the terms of reference.

7. Consistent with the principles enshrined within the UN Charter, Steering Committee members shall not seek or receive instructions from any government or from any other authority external to the Organization with respect to this project.

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[7] Differences of opinion between the consultants and the Steering Committee are facilitated through measures set out in paragraph 24.

III. Membership

8. The Steering Committee shall be comprised of:

- Mr. Guy Almeida Andrade (Brazil);
- Professor Shinji Hatta (Japan);
- Mr. Jean-Pierre Halbwachs (Mauritius);
- Judge Mervyn King SC (South Africa);
- Professor Sir Andrew Likierman (United Kingdom); and
- Mr. Kamlesh S. Vikamsey (India).

9. Summary bios of the Steering Committee members are attached.

IV. Convenor/Chair

10. The Steering Committee members shall select their own Chair from within the appointed Steering Committee members.

11. The Chair can designate an Acting Chair from existing Steering Committee members if the designated Chair is not available. The acting Chair will be responsible for convening and conducting that meeting, and for informing the Chair as to the points raised and decisions agreed to at that meeting.

V. Secretarial and Project Support

12. The Project Coordinator, Mr. George Kyriacou, will provide secretarial support for the Steering Committee, including the organization of meetings, preparation of the agenda in co-operation with the Chair, preparation of meeting minutes and informing the Steering

Committee members of project developments through regular communications channels. He will be assisted by Ms. Hazelien Featherstone.

13. The Project Coordinator and the PwC Project Leader are not part of the Steering Committee. They shall attend all Steering Committee meetings and brief the Committee on project progress, and bring relevant issues to the attention of the Committee as necessary. The Project Coordinator and the PwC Project Leader may each bring one additional project team member to the meetings on a regular basis, as required. Mr. Uren Pillay, the OIOS Project Coordinator, shall also attend relevant Steering Committee meetings from time to time with respect to the review of the OIOS, as may the PwC Project Lead for the OIOS review.

14. The Steering Committee may hold closed sessions without the presence of secretarial and project staff, as necessary.

VI. Agenda Items

15. The Steering Committee Chair will determine the meeting agenda. Items for the agenda, including guest presentations, may be proposed by any member of the Steering Committee, by the PwC Project Leader, by the Project Coordinator, and by the representative of the HLCM ad-hoc group[8].

16. All proposed agenda items must be forwarded to the Project Coordinator, together with relevant documentation, as early as possible, and at least five working days prior to the next scheduled meeting. The Project Coordinator will distribute the final Steering Committee agenda, with any supporting documentation, at the earliest opportunity, and at least three working days prior to the next scheduled meeting.

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[8] The High Level Committee on Management (HLCM) is the principal inter-agency body for coordination in the administratio and management areas, particularly regarding financial and budgetary issues; human resources related issues; informatio and communication technology (ICT) issues; and staff security within the UN system. The HLCM will designate an ad-ho group to consult with the Steering Committee, to ensure that HLCM's views are fully represented to the Steering Committe and to the Consultants

VII. Frequency of Meetings

17. Under normal circumstances, the Steering Committee shall meet according to the dates set out in the table below. If issues arise that require the immediate attention and decision of the Steering Committee outside of this timetable, a committee meeting or out-of-session discussion can be called outside of the regular schedule, through video or teleconferencing facilities.

Meeting	Date	Venue
Initial	16 March 2006	Geneva
Second	11 April 2006	Vienna
Third	2-3 May 2006	New York
Final	25-26 May 2006	New York

VIII. Minutes and Meeting Papers

18. The Project Coordinator shall arrange for the preparation of the minutes of each Steering Committee meeting. Copies of the minutes, including attachments, shall be provided to all Steering Committee members no later than five working days following each meeting for their review and approval.

19. Finalised minutes shall be sent to the Secretary General.

20. For out-of-session discussions, the Project Coordinator and/or the PwC Project Leader may observe and minute such discussions at the request and discretion of the Chair. Where minutes are not taken during the discussion, any decisions taken shall be recorded in the minutes of the next scheduled Steering Committee meeting.

IX. Quorum Requirements and Proxies

21. A minimum of three Steering Committee members are required for the meeting to be recognized as an authorized meeting and for the recommendations or resolutions to be valid. Attendance through video or telephone conference facilities may also be accepted within the quorum count, at the discretion of the Chair.

22. Proxies are prohibited.

X. Issue Resolution

23. Given the requirement for independence within the review, different viewpoints with respect to methodology, policy and practices may arise from time to time. All issues that arise during the project should be resolved transparently, and in the best interests of the United Nations system.

24. Where differences of opinion remain between the Steering Committee and the PwC Project Leader with respect to final project outputs, the Steering Committee may choose to submit the final reports to the Secretary General together with the Committee's stated views and proposed alterations.

XI. Communication with the Public

25. All inquiries with respect to this project shall be channelled through the Project Coordinator, who shall liaise with the UN's press office as necessary. Only the Chair, or other Steering Committee member formally designated by the Chair, are authorized to speak on behalf of the Steering Committee.

26. The Project Coordinator will respond to requests for general explanations of the process/ documents. Such explanations shall be confined to information only.

XII. Travel Expenses

27. The United Nations Secretariat will provide air travel and related travel and subsistence allowances for all Steering Committee members, in compliance with the United Nations' regulations and rules governing the reimbursement of travel expenses and related allowances.

Mr. GUY ALMEIDA ANDRADE

Mr. Andrade is Managing Partner of Magalhães Andrade S/C Auditores Independentes (Magalhães Andrade) where he is in charge of Auditing, Accounting Services and O&M Consulting, and Financing Director of RBA Global Auditores Independentes, a local network with offices throughout Brazil. He was educated at the School of Management and Economics of the University of São Paulo.

Mr. Andrade has more than 30 years of experience in auditing, accounting, internal control systems, business and tax evaluation, serving clients of diverse sizes and activities. He has been a member of the International Federation of Accountants (IFAC) Board since 2000. He has chaired the IFAC Audit Committee since November 2002 and has served as a member since November 2001. In July 2004 he became a member of the Audit Committee of Unibanco S.A., one of Brazil's top banks.

Mr. Andrade is the immediate past President of the Instituto dos Auditores Independentes do Brasil (IBRACON). Since 2004 he is a member of the Fiscal Council for the support of the "Zero Fome" (zero hunger) Program.

In addition to his professional experience, he has lectured and published several papers, articles and books on accounting issues.

Mr. JEAN-PIERRE HALBWACHS

Mr. Halbwachs is the representative of the Secretary-General and Chairman of the International Advisory and Monitoring Board of the Development Fund for Iraq. He is also the former Assistant Secretary-General and Controller of the United Nations.

PROFESSOR SHINJI HATTA

Mr. Hatta is Professor of Auditing at the Graduate School of Professional Accountancy at Aoyama Gakuin University, Tokyo, and Chairman of the Advisory Committee of the Association of Certified Fraud Examiners, Japan. He was educated at Keio University and Waseada University.

In his professional capacity, Mr. Hatta is the Chairman of the Sub-committee on Internal Control of the Business Accounting Council of the Financial Services Agency, an Examiner of the Certified Public Accountants Examination for the Certified Public Accountants and Auditing Oversight Board of the Financial Services Agency, and President of the Japan Auditing Association, and member of the Council of Japan Accounting Association.

In the private sector he is the Academic Coordinator for the JICPA Journal, a member of the Japanese Institute of CPAs Ethics Committee, a member of the Japanese Institute of CPAs Auditing Issues Deliberation Committee, and Chairman of the Advisory Committee of Association of Certified Fraud Examiners, Japan

In academic life Mr. Hatta was Professor of Accounting and Auditing of the School of Management at Aoyama Gakuin University, and Professor of Accounting and Auditing of the Department of Economics at Surugadai University, Saitama. He has multiple publications on areas such as auditing, corporate governance, international accounting, and integrated frameworks of internal control.

JUDGE MERVYN KING SC

Mr. King is the Chairman of the King Committee on Corporate Governance, Chairman of the Automobile Association of South Africa, Chairman of Dunlop Africa Limited, Chairman of Strate

Limited, Chairman of the Brait Societe Anonyme, and a director of JD Group Limited. He was educated at the University of Witwatersrand.

He was the First President of the Commonwealth Association of Corporate Governance, a member of the Private Sector Advisory Group to the World Bank on Corporate Governance, a former Governor of The International Corporate Governance Network and a member of the advisory board of the Asian Centre for Corporate Governance.

Mr. King is Professor Extraordinaire of the University of South Africa on Corporate Citizenship, President of the Advertising Standards Authority of South Africa and Chairman of its Appeals Committee, and Chairman of the Executive Committee of the South African Council of the International Chamber of Commerce. He is Chairman of the Board of Governors of the University of Witwatersrand Foundation, first Vice President of the Institute of Directors Southern Africa, Director of the Advisory Board of the South African Savings Institute, and co-deputy Chairman of the Securities Regulation Panel.

He consults, advises and talks on corporate governance issues locally and internationally. He has numerous papers, presentations and lectures delivered at national and international conferences, universities and institutions in twenty-seven countries, on corporate governance, legal and commercial issues. He is the author of "The Corporate Citizen."

PROFESSOR SIR ANDREW LIKIERMAN

Mr. Likierman is Professor of Management Practice at London Business School and a non-executive Director of the Bank of England. He was educated at the University of Vienna and Balliol College Oxford.

His career has spanned work in professional and public life, in the private sector and academic life. In his professional capacity, Mr. Likierman was President of the Chartered Institute of Management Accountants and a member of the Financial Reporting Council. He was a member of the "Cadbury Committee", which established the current framework for UK corporate governance. He was also Chairman of a corporate governance review for the Public Sector Committee of the International Federation of Accountants and of a UK government enquiry into professional liability.

In the public sector Mr. Likierman was a member of the Cabinet Office "Think Tank" and has recently completed a 10-year period as one of the Managing Directors of the UK Treasury and Head of the UK Government Accountancy Service. In this period he led the project to change the basis of government planning, control and reporting and chaired the group which developed a corporate governance framework for UK central government departments. As a Director of the Bank of England, he is Chairman of its Risk Committee and a member of the Audit Committee. He is also currently Deputy Chairman of the Tavistock and Portman Health Trust and Chairman of its Audit Committee.

In the private sector he worked as a management accountant with Tootal Ltd, ran a textile plant in Germany and was Managing Director of the overseas division of Qualitex Ltd. He has been the non-executive Chairman of two unquoted companies - Economists' Bookshop Ltd. and the market research firm MORI Ltd. He is currently a non-executive director of Barclay's Bank and a member of its Audit and Risk Committees.

In academic life Mr. Likierman lectured at Leeds University and his previous posts at London Business School have included Deputy Principal and Professor of Accounting and Financial Control. He is currently working with organisations in six countries on how organisations can improve their choice and use of performance measures, including accountability, risk and governance.

Mr. KAMLESH SHIVJI VIKAMSEY

Mr. Vikamsey is a senior partner at Khimji Kunverji & Co, Chartered Accountants in Bombay, and a member firm of HLB International.

He is a member of the International Federation of Accountants (IFAC) Board since November 2005, and served on the IFAC Small and Medium Practices Permanent Task Force (now the Small and Medium Practices Committee) from November 2004 to November 2005. He is the director and chair of the audit committees for several Indian companies. He is also Honorary Treasurer of Global Vipassana Foundation.

A practicing Chartered Accountant for 23 years, Mr. Vikamsey was the immediate President of the Institute of Chartered Accountants of India (ICAI), where he has served on the Central Council since 1998. He is the chair of the Professional Development Committee and serves as a member of various ICAI committees, including the Accounting Standards Board and International Affairs Committee and a Director of Accounting Research Foundation. He is also Deputy President of the Confederation of Asian and Pacific Accountants (CAPA).

United Nations

Comprehensive Review of Governance and Oversight within the United Nations, Funds, Programmes and Specialized Agencies

Volume II

Governance and Oversight Principles and Practices

DRAFT

June 2006

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Governance and Oversight Principles and Practices

2.1 Overview

1. This Volume II contains the following:

- Explanatory Statements and Terminology
- UN Code of Governance
- Best Practices - to observe the Code and uphold the Principles

This Volume II references the following:

- Appendix 1: Good Governance & Oversight Principles
- Appendix 2: Glossary
- Appendix 3: Sources of External Research for Best Practice Principles

2. Initially, there is a section on ***Explanatory Statements and Terminology,*** which explains the concepts and terms used throughout this report.

3. There is then a ***UN Code of Governance,*** which is recommended for consideration and adoption by UN entities and should underpin actions taken by those with governance and oversight responsibilities, both individually and collectively.

4. This Code is the application of the ***Good Governance and Oversight Principles*** presented in ***Appendix 1***, which have been further adapted for suitability within the UN system. These principles have been derived from extensive research into governance and oversight practices from both public and private sectors around the world and form value statements for effective governance and oversight. They provide a reference base for conducting the Gap Analysis – the results of which are provided in Volumes III

(Governance) and IV (Oversight). It must always be remembered that these principles represent a distillation of *external* best practices but with terminology that facilitates comparison with current UN practices in order to provide a valid Gap Analysis.

5. Finally, there is a set of ***Best Practices*** which represent activities commonly used to achieve behaviour and performance in line with the Good Governance and Oversight Principles and therefore, will help those UN entities that adopt the UN Code of Governance.

2.2 Explanatory Statements and Terminology

6. In appreciation of the unique inter-governmental nature of the United Nations entities, and their international character, this report seeks to identify and adapt best practice principles of governance and oversight to fit well with the United Nations system. In this regard, terminology is important.

7. The phrase ***"Entity"*** is used to refer to the unit being governed. It thus refers to the Secretariat, any fund, programme or specialized agency.

8. The ***"Assembly of Member States"*** refers to the body which represents Member States. For the United Nations Secretariat it would be the General Assembly and for the specialized agencies it would be their general conference or member state assembly.

9. The ***"Governing Body"*** refers to persons appointed by the Assembly of Member States to be responsible for steering and directing the entity. The General Assembly is the Governing Body of the Secretariat. "Executive Boards" are the governing bodies for the funds and programmes. The governing bodies of the specialized agencies are "Councils", "Executive Boards", "Executive Councils", etc.

10. ***"Committees"*** refer to the persons, usually experts in their particular fields, appointed by the governing body, responsible for certain governance functions with written terms

of reference in regard to their membership, responsibilities, accountability, expertise and the number of meetings to be held in the operating year of the entity.

11. ***"Executive management"*** refers to the chief administrative or executive officer and his or her senior management team.

12. ***"Stakeholders"*** refer to the parties that may affect or be affected by the entity including service beneficiaries, Member States, executive management and all employees and suppliers.

13. ***"Governance"*** originates from the word 'govern,' from the Latin *gubernare* and the Greek *kuberan*, "to steer". *Governance* is the action or manner of steering or directing. The governing body is the one who steers or directs an entity. Good *governance* requires a clear division of responsibilities between the governing body which sets the policies, strategies, budgets and plans for achieving the entity's purpose and the management team who have the responsibility of implementing the policies, strategies, budgets and plans approved by the governing body by running the entity's activities and operations. The role of the governing body is a reflective one, whereas the role of management is an active one. In this context good governance principles have developed in respect of both governors and managers.

14. ***"Oversight"*** is a key activity in governance. The Assembly of Member States of the entity would have oversight over the governing body, the governing body oversight over management, senior management oversight over lower level management as well as all operational activities of the entity.

- The primary principle of *oversight* is the separation of duties between executive management and the governing body or bodies.

- *Oversight* activities consist of monitoring, evaluating and reporting on the entity's performance. It also encompasses the auditing, internal and external, of the entity's financial results and effectiveness of its internal controls and cases of fraud or malpractice.

- *Oversight* is carried out through processes and procedures designed by the organisation's executive management and approved by the governing body.
- *Oversight* ensures management accountability for providing the direction, planning and monitoring of policies and procedures, financial controls plus follow-up and implementation of audit recommendations.

15. *Oversight* responsibilities can be carried out through subordinate entities (such as an executive board) or committees of the governing body, but should not be delegated so as to remove the obligation of the governing body from carrying out its responsibility of evaluating the organisation's performance.

16. Further terminology and abbreviations used throughout this report are given in the ***Glossary*** in ***Appendix 2***.

17. ***External Research*** - there are many principles of governance and oversight that are today of potential universal application. These principles were researched, identified and synthesised. The Steering Committee recommends them in the form of the UN Code of Governance, to be considered and adopted by UN entities. These are set out in the report. There are processes which are universally practised in order to observe and be seen to observe these principles. They are referred to as best practices and are employed so that governors and managers can discharge and be seen to discharge their responsibilities. These best practices have been sourced internationally, from both the public and private sectors and distilled into the section on best practices. Details of these ***Sources for External Research of Best Practice Principles*** are set out in ***Appendix 3***.

18. ***Adoption of the UN Code of Governance*** - Regimes of governance can also be universally divided into two - the *"comply or else"* regime and the *"comply or explain"*

regime. In the former there has to be compliance with the principles and practices laid down, or else there is some form of punitive sanction. In the "comply or explain" regime there are recommended principles and practices, which if the entity's governing body believes, in the best interests of the entity, should not be adopted, it will not do so but is then obliged to explain why it has not done so and sets out the practice adopted by it. The explanation is in itself compliance.

19. It is clear that a "comply or else" regime cannot be laid down for the United Nations, its funds, programmes and specialized agencies. There are different legislative bodies and purposes and one size cannot fit all. Consequently, this report recommends that the UN Code of Governance should be considered and adopted on an "adopt or explain" basis by all the entities in the United Nations system. UN entities should apply the Code flexibly in the context of their own unique international characteristics. Where the legislative and/or governing body then believes that a particular practice should not apply, it should then explain why it does not believe it is in the entity's best interests to do so and sets out the practice adopted by it.

20. The Code is intended to be a living document that evolves as practice and experience develops. It should be reviewed periodically, and as need arises, against changes in the wider governance world and the experience of UN entities in the application of the Code. Where UN entities take alternative approaches to individual principles within the Code, this may provide useful insight to areas that may require future development.

2.3 UN Code of Governance

21. The research and analysis concluded that the Good Governance and Oversight Principles in Appendix 3 can be usefully grouped into six governance themes, the last of which specifically focuses on oversight activities. These principles have been

adapted to fit the realities, and terminology, of the UN system in order to form a **UN Code of Governance,** which is presented in this section of the report.

22. An important note of emphasis is that while presented in the format of these six themes, the Code should not be considered individually or by theme alone. They are inter-related and, for good governance purposes, need to be taken as a whole. The 6 themes are:

1. ***Strategy, mission, planning and the governing body*** – addresses the governing body's duty to honestly endeavour to achieve the purpose of the entity through planning, evaluation and overall direction setting.
2. ***Governing body and committee structures*** – focuses on the composition of the governing body and delegation of some of its governance activities without abdicating its responsibilities.
3. ***Human resources management*** – focuses on the key human resource policies and practices for the governing body and management of the entity.
4. ***Transparency and disclosure*** – concern the framework and context for the accountability of the governing body, its members and the executive management in the entity.
5. ***Ethical environment*** – specifies methods for responsible governance and ethical behaviour throughout the entity.
6. ***Audit, risk and compliance*** – focuses on the duty for the audit of an entity's finances and operations, risk management, its internal controls, and for the compliance by the entity with all applicable rules, policies, regulations, and laws to which it is subject.

23. The proposed UN Code of Governance is as follows:

1. GOVERNANCE – STRATEGY, MISSION, PLANNING AND THE GOVERNING BODY

1.1. Each UN entity shall have a ***Governing Body***[1], appointed by the Assembly of its Member States' representatives, which shall adopt governance practices based on the principles of ***fairness, accountability, transparency and responsibility***. The individuals who comprise the UN entity's Governing Body shall act in good faith with care, skill and diligence. The General Assembly is the Governing Body of the Secretariat.

1.2. The role of the UN entity's Governing Body shall be to set and maintain the ***strategic direction*** of the entity, the effective and efficient ***allocation of resources*** and the ***effective monitoring*** of management and the operation of the UN entity.

1.3. The Governing Body of each such UN entity should have a ***strategic plan*** that reflects how the entity will seek to fulfil its purpose ***efficiently, effectively and sustainably.***

1.4. The ***purpose*** of the UN entity, its stakeholders (such as Members States' representatives as well as others), its ***tolerance for risk*** and its ***key performance indicators*** shall be defined and reflected in the UN entity's policy statements, communications, decision making and working practices.

1.5. The expert committees of the Governing Body should be comprised of members who are ***independent of the entity's management and the Member State Representatives.***

2. GOVERNANCE – GOVERNING BODY AND COMMITTEE STRUCTURES

2.1. In the interests of efficiency and effectiveness, the UN entity's ***Governing Body shall appoint Committees*** with defined terms of reference and levels of authority and whose membership has the necessary technical and/or management expertise in order to make recommendations to the Governing Body or act on its behalf (for example: budget and finance committee, ethics committee, human resources committee, audit committee, other technical committees).

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[1] "Executive Boards" are the governing bodies for the funds and programmes. Governing bodies of the specialized agencies are "Councils," "Executive Boards," "Executive Councils," etc.

2.2. Where the UN entity's Governing Body delegates authority it ***shall not abdicate its ultimate responsibility for a Committee's actions or omissions*** with regard to matters such as resource allocation, risk management, internal controls, remuneration and financial reporting.

2.3. The UN entity's Governing Body and its Committees shall have access to ***expert advice independent from management and from the entity's Member States' representatives.***

2.4. ***Nominations and appointments*** to committees of the Governing Body should be made on the basis of ***formal transparent procedures and criteria*** agreed by the UN entity's Governing Body and the Assembly of Member States.

2.5. A significant proportion of the UN entity's Governing Body and Committee members (for example one third) shall ***rotate on a regular basis***, and according to rotation periods and criteria agreed by the Governing Body itself and the Assembly of Member States.

2.6. The Governing Body is responsible for ***appointing a chief executive officer*** for the UN entity through a formal and transparent process.

3. GOVERNANCE – HUMAN RESOURCES MANAGEMENT

3.1. Competencies of the UN entity's Governing Body, its Committees and executive management shall reflect the ***knowledge and skills,*** including specific technical knowledge and skills, needed to fulfil the purpose of the UN entity and to implement its strategic direction.

3.2. The UN entity's Governing Body shall ensure that ***compensation policies and practices*** for independent expert Committee members as well as executive management are supported by the entity's providers of funding, fully disclosed, consistent with the UN entity's culture and the individual's performance.

3.3. The UN entity's Governing Body, its Committees, and executive management shall all have ***succession plans*** in place.

4. GOVERNANCE – TRANSPARENCY AND DISCLOSURE

4.1. The UN entity's management shall provide timely ***disclosure to the entity's Governing Body and appropriate Committees of all matters of significance*** regarding the entity, including its financial situation and performance.

4.2. The UN entity's Governing Body shall provide timely ***disclosure to the Assembly of Member States and the entity's other relevant stakeholders*** *of* all matters of significance.

4.3. The UN entity's Governing Body, Committee members and executive management are required to ***disclose all relevant personal and related party financial matters and interests*** *that may give rise to any conflict of interest.*

4.4. The UN entity's Governing Body, Committees and executive management shall ***demonstrate probity in the conduct of their activities.***

4.5. The UN entity's Governing Body shall ***conduct and report on its performance*** on an annual basis through ***facilitated evaluation.***

5. GOVERNANCE – ETHICAL ENVIRONMENT

5.1. The manner in which the UN entity is governed shall ensure that ***the UN entity acts and is seen to act responsibly and responsively*** to its stakeholders, including its Member States, the beneficiaries of its activities and the providers of its funds.

5.2. The UN entity shall have a ***written code of conduct,*** which reflects its values and ***appropriate investigation and disciplinary procedures*** with sanctions for any violations of this code.

5.3. There shall be mechanisms for enabling ***responsible whistleblowing***, including appropriate whistleblower protection.

6. OVERSIGHT – AUDIT, RISK MANAGEMENT AND COMPLIANCE

6.1. It is the Governing Body's ultimate responsibility to satisfy itself that management has ***a robust framework for internal controls, risk management, systems and compliance with laws, regulations and appropriate accounting standards.*** These responsibilities shall be reflected in statements by the UN entity's Governing Body in the entity's annual or biennial report, showing how they have been discharged.

6.2. Each UN entity's Governing Body shall have an ***Audit Committee***, which shall comprise experts independent from management and from the entity's Member States' representatives, who are financially literate and at least one of whom is a qualified accountant and/or auditor. The Governing Body shall approve its membership and ensure it has appropriate terms of reference.

6.3. Each UN entity shall have a professional and competent ***Internal Audit*** function, which shall be accountable to the UN entity's Executive Management but has the right to report independently to the UN entity's Governing Body, through the Audit Committee, and shall have appropriate terms of reference, which shall include a requirement for regular quality reviews.

6.4. ***External Audit*** shall be appointed by and accountable to the entity's Assembly of Member States, through the entity's Audit Committee.

2.4 Best Practices

24. A challenge of accountability is to demonstrate that the UN Code of Governance outlined above is implemented throughout an entity. This is achieved through seeking to apply best practices. The best practices are therefore a means to help ensure that the UN Code of Governance is implemented and that those responsible are held accountable. It does not represent an exhaustive list of the activities or actions for the governing body and certain practices may support more than one principle. It is provided as a starting point for governing bodies to assess their approach to governance against best practice.

25. The best practices are:

Principle Theme	Best Practices
1. Strategy, mission, planning and the governing body	• The governing body must give strategic direction to the entity. It must appoint the chief executive officer and monitor management in implementing the governing body's plans designed to achieve its purpose, budgets and strategies. • The governing body should ensure that the entity complies with all relevant laws, regulations, governance, oversight principles and best practices. • The governing body must ensure that communications between the entity and its relevant stakeholders are driven by 'substance over form' and are delivered promptly. • The governing body should define the purpose of the entity, set out its values and identify stakeholders relevant for governance purposes. • The governing body should define levels of materiality, reserving specific powers to itself and delegating other matters with the necessary written authority to subsidiary governing committees and/or executive management. • The governing body must identify the key risk areas, the tolerance or appetite for risk and the key performance indicators of the entity's activities, all of which should be regularly monitored. • The governing body must present a balanced and understandable assessment of the entity's position in reporting to the Assembly of Member States. Such a report should address material matters of significant interest and concern to the identified stakeholders.
2. Governing body and committee structures	• The governing body should establish committees as an aid to assist it in discharging its duties and responsibilities. These committees must have written terms of reference, establishing its membership, their duties, responsibilities, accountability and regularity of meetings. These committees should be free to take independent, outside professional advice as and when necessary. • The governing body should have an agreed procedure whereby its members may, if necessary, take independent professional advice at the entity's expense. • Outside experts or advisors should be individuals of calibre and credibility and have the necessary skills, competencies and experience to bring considered judgment to bear, independent of management, on relevant issues, such as strategy, performance, the allocation of resources, standards of conduct and the evaluation of performance. • Procedures for appointments to the governing body should be formal and transparent and carried out by the governing assembly as a whole. The governing assembly should have regard to the need to combine proper performance evaluation, staggered rotation and continuity for the governing body. • The chief executive officer should not also be the chairperson, in recognition of their very different roles.

3. Human resources management	- The governing body should have the necessary skills, knowledge and competencies to ensure its effectiveness. - The governing body should establish a formal orientation programme to familiarize incoming members with the entity's operations, their duties and responsibilities. - The governing body should develop a succession plan, particularly for [redacted] management.
4. Transparency and disclosure	- The governing body should adopt an overriding principle of full disclosure of the remuneration of independent members of its committees, and the executive management team. Financial interests, direct and indirect, of members of governing bodies, committees and executive management should be disclosed in writing at all meetings. - Management has the responsibility to ensure that information is furnished to the governing body in a timely manner, prior to meetings of the governing body, while each member of the governing body must satisfy himself or herself, objectively speaking, that he or she has been furnished with all the relevant information and facts before making a decision. - Each committee should be subject to evaluation by the governing body in regard to their performance and effectiveness. - The governing body should assess the entity's observance of the [redacted] and adoption of best practices. Where best practices are not adopted, a full explanation of the reasons and the process actually adopted should be furnished in the annual or [redacted] statement. - The governing body should have an agreed process whereby it has access to all the appropriate information, records and documents of the entity. - The governing body should define procedures for the early reporting of significant events having defined 'significant'.
5. Ethical environment	- The governing body should develop a code of conduct which should be regularly reviewed and updated. It should address conflicts of interest, particularly relating to its own members and the executive management team. - The governing body should ensure that a confidential process (whistle blowing) covering fraud, corruption and other risks is in place.

6. Audit, risk and compliance*	▪ While the governing body has the responsibility for the process of risk management, the executive management is responsible to design, implement and monitor the process of risk management and to integrate it into the day-to-day activities of the entity. The risks managed could include physical, human resource, technology, business continuity, disaster recovery, credit, market and compliance. ▪ Management has the responsibility to install a comprehensive system of internal control to ensure that risks are mitigated. ▪ The governing body should regularly review and assess the effectiveness of the entity's internal systems of control and audit, and report on the process of risk management within the organization and its evaluation of internal controls. ▪ The governing body should establish an audit committee, made up of outside members who should all be financially literate, with at least one of them being a qualified accountant with recent experience. The audit committee should have written terms of reference that deal adequately with its membership, duties, authority, accountability and regularity of meetings. ▪ An entity should have an effective internal audit function, the written terms of reference of which should be consistent with the standards set by the Institute of Internal Auditors. ▪ The appointment or dismissal of the head of internal audit should be with the concurrence of the audit committee on the recommendation of the governing body. ▪ The governing body should ensure that the internal audit function provides an independent assurance function to improve management's ability to manage the entity. ▪ The audit committee should make a written statement to the Assembly of Member States for the appointment of the external auditors. The governing body should ensure that the external auditors observe the highest level of business and professional ethics and independence. ▪ The governing body, through the audit committee, should encourage consultation and planning of audits between the external and internal auditors. ▪ The governing body should adopt international standards for accounting.

* A significant element of the responsibility for this principle is often delegated to the Audit Committee. As such additional guidance, a model Terms of Reference for the constitution, relationships and activities of an Audit Committee is provided in appendix 3 of Volume IV.

Appendix 1:

The Good Governance and Oversight Principles

The Good Governance and Oversight Principles

From the review of governance codes, standards and guidelines around the world a number of generally accepted best practices were identified to produce this set of the Good Governance and Oversight Principles (which has been used for a comparative Gap Analysis of current UN practices set out in Volumes III and IV). These principles also form the basis for the UN Code of Governance in section 2.3 of Volume III, following their adoption for the UN system.

1. GOVERNANCE – STRATEGY, MISSION, PLANNING AND THE GOVERNING BODY

1.1 ***A Governing Body appointed*** by the Assembly of Member States shall adopt governance practices based on the principles of ***fairness, accountability, transparency and responsibility***. The individuals who comprise the Governing Body shall act in the best interests of the organization.

1.2 The role of the Governing Body should include setting and maintaining the ***strategic direction*** of the entity, the effective and efficient ***allocation of resources*** and the ***effective monitoring*** of management and the operation of the entity.

1.3 The Governing Body should have a ***strategic plan that*** reflects how the entity will seek to fulfil its purpose ***efficiently, effectively and sustainably.***

1.4 The ***purpose*** of the entity, its ***stakeholders***, its ***tolerance for risk*** and its ***key performance indicators*** should be defined and reflected in the entity's policy statements, communications, decision making and working practices.

1.5 The Governing Body and its committees should comprise members ***independent of management*** and major stakeholders.

2. GOVERNANCE – GOVERNING BODY AND COMMITTEE STRUCTURES

2.1 In the interests of efficiency and effectiveness, the ***Governing Body can appoint Committees*** with defined terms of reference and levels of authority and whose membership has the necessary expertise in order to make recommendations to the Governing Body or act on its behalf.

2.2 Where the Governing Body delegates authority it ***cannot abdicate its ultimate responsibility for a Committee's actions or omissions*** with regards to matters such as resource allocation, risk management, internal controls, remuneration and financial reporting.

2.3 The Governing Body and its Committees should have access to ***independent advice***.

2.4 ***Nominations and appointments*** to the Governing Body and committees should be made on the basis of ***formal transparent procedures and agreed criteria.***

2.5 A significant proportion of Governing Body and Committee members should be available for ***re-appointment on an agreed rotational basis.***

2.6 The Governing Body is responsible for ***appointing a chief executive officer*** separate from its Chairman or President through a formal and transparent process.

3. GOVERNANCE – HUMAN RESOURCES MANAGEMENT

3.1 Competencies of the Governing Body, its Committees and Executive Management should reflect the ***knowledge and skills*** needed to fulfil the purpose of the entity and to implement its strategic direction.

3.2 The Governing Body or a Committee of the Governing Body should ensure that ***compensation policies and practices*** for Governing Body, Committee members and Executive Management are supported by the entity's providers of funding, fully disclosed, consistent with the entity's culture and the individual's performance.

3.3 The Governing Body, its Committees, and Executive Management should all have ***succession plans*** in place.

4. GOVERNANCE – TRANSPARENCY AND DISCLOSURE

4.1 Management should provide timely ***disclosure to the Governing Body and appropriate Committees of all matters of significance*** regarding the entity, including its financial situation and performance.

4.2 The Governing Body should provide timely ***disclosure to the Assembly of Member States and the entity's relevant stakeholders of*** all matters of significance.

4.3 Governing Body, Committee members and Executive Management are required to ***disclose all relevant personal and related party financial matters and interests that may give rise to any conflict of interest.***

4.4 The Governing Body, Committees and Executive Management should ***demonstrate probity in the conduct of their activities***.

4.5 The Governing Body should conduct and report through ***facilitated evaluation*** of their performance on an annual basis.

5. GOVERNANCE – ETHICAL ENVIRONMENT

5.1 The manner in which the entity is governed should ensure that ***the entity acts and is seen to act responsibly and responsively to its stakeholders***.

5.2 The entity should have a written code of conduct, which reflects its values and ***appropriate investigation and disciplinary procedures*** with sanctions for any violations of the code.

5.3 There should be mechanisms for enabling ***responsible whistleblowing,*** including appropriate whistleblower protection.

6. OVERSIGHT – AUDIT, RISK MANAGEMENT AND COMPLIANCE

6.1 It is the Governing Body's ultimate responsibility to satisfy itself that management has a ***robust framework for internal controls, risk management, systems and compliance with laws, regulations and appropriate accounting standards.*** These responsibilities should be reflected in statements by the Governing Body in the entity's annual report, showing how they have been discharged.

6.2 An ***Audit Committee*** should comprise independent experts who are financially literate and at least one of whom is a qualified accountant and/or auditor. The Governing Body should approve its membership and ensure it has appropriate terms of reference.

6.3 A professional and competent ***Internal Audit*** function should be accountable to the Executive Management but should also report independently to the Governing Body, through the Audit Committee and should have appropriate terms of reference or charter, which includes a requirement for regular quality reviews.

6.4 ***External Audit*** shall be appointed and accountable to the entity's Assembly of Member States, through the entity's Audit Committee.

Appendix 2:

Glossary

Glossary

Below is a list or glossary of terms to help the reader navigate the language of governance. Many terms are similar but may hold different meanings, depending on the context from which the subject is approached. They include:

- Committee
- Independent Expert
- Internal Audit
- Financial Statements
- Annual Report
- Statement of Internal Control
- Strategy
- Risk Management
- Compensation
- Accountability
- Code of Conduct

An explanation of these terms, highlighting the main points in respect of their likely interpretation in the UN context, follows:

Term	Definition - UN Context
Committee[7]	A group of persons who are appointed or elected to carry out a charge. The charge can be to investigate, to recommend, or to take action.
Independent Expert[8]	Advisors whose only nontrivial professional, familial or financial connection to the organization or its executive management is their expertise.
Internal Audit[9]	An independent examination of the accounting records and other evidence relating to a business operation to support the expression of an impartial expert opinion about the reliability of the financial statements.
Financial Statements[10]	Presentation of financial data including balance sheets, income statements and statements of cash flow, or any supporting statement that is intended to communicate an entity's financial position at a point in time and its results of operations for a period then ended. Also termed as financial reports.
Annual Report[11]	Reports issued each year to provide donors and prospective donors with information about the organization's income, expenditures, programs, and progress.
Statement of Internal Control[12]	The statement regarding an organization's procedures that are designed to increase the organization's efficiency, ensure its policies are implemented, and its assets are safeguarded.
Strategy[13]	The method that the organization will use to deliver services and implement activities in order to achieve its goals.
Risk Management[14]	A general term describing the process of analysing risk in all aspects of management and operations and the development of strategies to reduce the exposure to such risks.
Compensation[15]	All salary, wages and other money payable to a member for duties performed for a participating employer but not including reimbursement for travel or moving expenses.
Accountability[16]	The responsibility to justify money spent, decisions made, and activities performed by an individual or an organization.

Code of Conduct[17]	A central guide and reference of proper behaviour of all staff. It is meant to clarify an organization's mission, values and principles, linking them with standards of professional conduct.

There are a number of acronyms used throughout the UN and this report. These are defined below.

Acronym	Definition
ACABQ	Advisory Committee on Administrative and Budgetary Questions
BOA	Board of Auditors
CEB	Chief Executive Board
CPC	Committee for Programme and Coordination
DDA	Department for Disarmament Affairs
DESA	Department of Economic and Social Affairs
DGACM	Department for General Assembly and Conference Management
DM	Department of Management
DPA	Department of Political Affairs
DPI	Department of Public Information
DPKO	Department of Peace-keeping Operations
DSS	Department of Safety and Security (former UNSECOORD)
EC	European Commission
ECOSOC	Economic and Social Council
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GA	General Assembly
HLCM	High Level Committee on Management

Acronym	Definition
HLCP	High Level Committee on Programmes
IAAC	Independent Audit Advisory Committee
ICAO	International Civil Aviation Organization
ICSC	International Civil Service Commission
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
ITC	International Trade Centre
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
NGO	Non-governmental organization
OCHA	Office of the Coordinator of Humanitarian Affairs
OHCHR	Office of the United Nations High Commissioner for Human Rights
OIOS	Office of Internal Oversight Services

Acronym	Definition
OSG	Office of the Secretary-General
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United National Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-HABITAT	United Nations Human Settlements Programme
UNHCHR	United Nations High Commissioner for Human Rights
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNJSPF	United Nations Joint Staff Pension Fund
UNODC	United Nations Office on Drugs and Crime
UNOG	United Nations Office at Geneva
UNON	United Nations Office at Nairobi
UNOPS	United Nations Office for Project Services
UNOV	United Nations Office at Vienna
UNRWA	United Nations Relief Works Agency for Palestine Refugees in the Near East
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Trade Organization
UNWTO	United Nations World Tourism Organization

Appendix 3

Sources of External Research for Best Practice Principles

For the purposes of this review, sources of good governance and oversight principles and practices have been referenced from multiple locations around the world, and from both public and private sectors. The sources are listed at the end of this Appendix.

In addition to the technical project team, input on the principles has been taken from the following:

Independent Steering Committee

This body comprises governance and oversight experts from a number of geographic locations covering the public and private sectors and international and national organisations. Territories represented are: Brazil, India, Japan, Mauritius, South Africa, and the United Kingdom.

PwC Expert Panel - representation

PwC also consulted with its own international Expert Panel. The main characteristics of this panel were:

- mix of both external experts (5) and other internal experts (3)
- drawn from multiple territories – including South Africa, Tanzania, Netherlands, USA, UK, Switzerland, Canada
- combination of skills covering university professors, accounting & audit experts, governance specialists, international politics, international law, trade specialists, internal audit specialists

UN HLCM Ad-hoc Group

The UN's High-Level Committee on Management (HLCM) appointed an Ad-hoc Group of representatives from across the UN, funds, programmes and specialized agencies. This Group also provided comment and input to the development of the principles and, subsequently, some of the identified gaps in the gap analysis.

Consolidation into principles

The memberships of the above groups reinforced the interpretation of the external governance materials reviewed and added geographic and cultural perspectives to ensure the findings are both robust and global.

Overall, the resulting principles delivered in this report are not fully representative of any one source but are a consolidation of these different sources of input.

External Sources

A summary of the sources of research undertaken is set out in the table below.

Country/ Organisation	Public Sector	Private Sector
Australia	Public sector governance guidance papers 1-8 (2003) The Uhrig Report (Jul '03)	Australian Stock Exchange Corporate Governance Council (Mar '03)
Bangladesh		Taskforce - Code of Corporate Governance (Mar '04)
Canada	Royal Commission on Public Sector governance and behaviours Institute on Governance – The new rules of the board game ... for multi-lateral development institutions (Feb '04)	CICA – 20 questions series on governance and related issues (2003) Canadian Securities Administrators – corporate governance practices and guidelines (Apr '05) Toronto Stock Exchange – guidelines to good disclosure
France	Rapport Barbier (Feb '03) Loi Organique Relative aux Lois de Finances (2001)	Rapport Bouton (Sep '02)
Germany	Ministry of the Interior -	German Corporate Governance Code

Country/ Organisation	Public Sector	Private Sector
	Modernisation of the German State (2005)	as amended (Jun '02)
India	Public Affairs Centre – The State of India's Public Services (Apr '02) IIPA - Governance in India Vision 2020 World Governance Survey – Assessing Governance in India (2001)	Securities Exchange Board – Report of the committee on corporate governance (2000)
Japan	National Public Service Ethics Board - guidance	Tokyo Stock Exchange – principle of corporate governance Corporate governance forum – revised 14 principles H Itami paper - Revision of the commercial code and reform of Japanese corporate governance (2002)
South Africa	Public Finance and Management Act – Treasury Regulations (1999)	The King code of corporate practices and conduct (Mar '02)

Country/ Organisation	Public Sector	Private Sector
UK	HMT - Corporate governance in central government departments (Jul '05) The good governance standard for public services (Dec '04) HMT - Orange Book (Oct 04) NAO - State Audit in European Union (Dec '05)	The combined code on corporate governance (Jul '03)
USA	Report to Congress – Strengthening transparency, governance, accountability of charitable organisations (2005) Comptroller General – A framework for strengthening government sponsored enterprises governance and oversight	Institute of Internal Audit – Corporate governance and the board What Works Best (1997) Institute of Internal Audit – Audit Committees What Works Best (3rd Edition) NYSE – Corporate governance rules section 303A (Nov '04)

Country/ Organisation	Public Sector	Private Sector
	(2004) Office of Management and Budget – Revisions to OMB circular A-123, Management's responsibility for internal control (2004)	
Basel Committee		Enhancing corporate governance for banking organisations (Feb '06)
Commonwealth Secretariat	Governance for the C21st (1998)	
Eastern, Central and Southern African Federation of Accountants	ECSAFA – Governance in the Public Sector (Jun '02)	
European Union	Financial regulation of the EU (Jun '02) Charter of the internal audit service (Oct '00) European Governance – White Paper (Jul '01)	Proposed directive concerning the annual accounts ... and consolidated accounts (Oct '04) Comparative study of corporate governance codes relevant to the European Union and its Member

Country/ Organisation	Public Sector	Private Sector
		States (Jan '02) Governance Forum – clarification on 'comply or explain' principle (Mar '06)
IFAC		Enterprise governance – getting the balance right (Feb '04) Guidance for the development of a code of corporate conduct ED (Feb '06)
OECD	Study 13 - Governance in the public sector (Aug '01)	Principles of corporate governance (2004)
Treadway Commission		Enterprise Risk Management Integrated Framework (Sep '04)
PwC	PwC & NAO - Building Public Trust Award criteria	Best Practice corporate governance reporting (Dec '05) Internal Audit in Control Survey (Jan '06)
Other		Bob Garrett – "A Fish Rots from the Head" (1996) Heidrick and Struggles – Corporate governance in Europe survey (Dec 2005)

United Nations

Comprehensive Review of Governance and Oversight within the United Nations, Funds, Programmes and Specialized Agencies

Volume III
Governance – Current UN Practices, Gap Analysis, and Recommendations

June 2006

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Governance – Current UN Practices, Gap Analysis and Recommendations

3.1 Introduction

1. Volume III of the Comprehensive Review of Governance and Oversight within the United Nations, Funds, Programmes, and Specialized Agencies contains the following:

- ***Summary of findings of UN Gap Analysis (Phase 1),*** which compares the current UN governance practices with the Good Governance and Oversight Principles presented in Volume II.
- ***Major Recommendations from Sample of UN Entities (Phase 2)*** for improving governance within the UN system. The recommendations are based on the relevant gaps identified in Phase 1 as well as the review of effectiveness and, where relevant, costs for a sample of five UN entities. Following the recommendations is a description of overall costs, benefits, and implementation planning.

  As indicated in Volume I, governance and oversight principles are inter-dependent and it is the collective application of these principles that leads to more effective governance and oversight. The individual recommendations herein are a part of the cohesive set of recommendations, which include as its base the recommended UN Code of Goverance derived from the Good Governance and Oversight Principles. Accordingly, the set of recommendations should be adopted in its entirety.
- ***Analyses of the UN current governance practices and gaps,*** contained in the Appendices of this volume, from Phase 1 plus the specific gaps and recommendations for each of the sample of five UN entities from Phase 2. The five entities are: UN Secretariat, UNDP, UNICEF, UNHCR and ICAO.

2. The findings, recommendations and detailed analyses in this volume cover the ***Governance Principles only***, which are Principles 1 to 5. Findings, recommendations and detailed analyses relating to the Oversight, Principle 6, are covered in similar format in Volume IV.

3.2 Summary of Findings of UN Gap Analysis (Phase 1)

3.2.1 GOVERNANCE – STRATEGY, MISSION, PLANNING AND THE GOVERNING BODY

3. Introductory note: please note that this section deals with findings relating to the Gap Analysis of the UN's current governance practices with the externally derived principles. It is a set of observations and does not necessarily imply any recommendation. Specific recommendations are in the subsequent section.

4. **Governing bodies are often large and their decision-making processes are complex.** Within the UN system, primary legislative assemblies are necessarily large and all-inclusive to ensure appropriate participation and decision making. However, governing bodies and their committees, in an attempt to remain inclusive, are often very large as well. This can limit their potential effectiveness in reviewing and making decisions on for example budgetary matters, resource allocation, oversight, and risk management. Equally, management support of the decision-making process in large governing bodies becomes both complex and costly. As a result, internal decision making processes in the governing bodies can often be sub-optimal and with no periodic facilitated or self-evaluation.

5. **Decision-making on strategic objectives and resource allocation are sometimes disconnected.** A disconnect between strategic planning and budgeting can frequently arise within the UN system for a number of reasons. First, decisions on mandates and budgets are often made by different governing bodies, or by differing organs within the governing body. Secondly,

decisions on assessed contributions and voluntary budgets are made by different governing bodies or by the same bodies in separate deliberations. Finally, results-based management (RBM) frameworks are not always sufficient to compensate for any lack of integrated perspective. Whilst overall RBM is a positive development, there is significant variation in its implementation across the UN system both with regard to degree and effectiveness. Examples of common shortcomings include heavy focus and debate around inputs, such as individual posts or budget lines, rather than more focus and debate around outputs and results. Furthermore, the outcomes from performance monitoring could often be more effectively linked back towards strategy and resource allocation.

6. **Need for greater executive management accountability for supporting governing body governance and oversight processes.** In several entities, executive management is not always supporting governing bodies sufficiently to enable them to effectively monitor performance, steer resource allocation, govern oversight and hold executive management overall accountable. Examples can include the need to ensure that information is provided on a timelier basis and in all the appropriate languages as well as to ensure that there is sufficient follow-up on requested reports and delegated responsibilities. In some entities this problem is more pervasive, while in others it arises only intermittently.

3.2.2 GOVERNANCE – GOVERNING BODY AND COMMITTEE STRUCTURES

7. **Use of independent experts to assist governing bodies and their committees is growing slowly, but is limited.** There is no common accepted precedent for the use of independent experts to support governing bodies that can be observed within the UN system. Where independent expert (advisory) committees do exist, such as the ACABQ, the ICSC and various audit and oversight committees, and are made up of independent experts, there are typically

limitations to the level of independence due to the procedures for selection, remuneration and disclosure.

8. **Some overlapping mandates and functions of committees of governing bodies**. Some entities have committees with similar roles and mandates leading to repetitive discussions, unclear authority and, ultimately, reduced effectiveness and efficiency in the decision making processes. Instances of duplication in role and mandate occur both between UN expert committees and governing bodies of other entities, as well as between governing body committees and their own expert committees.

3.2.3 GOVERNANCE – HUMAN RESOURCES MANAGEMENT

9. **Insufficient transparency in nominations and appointments to governing body committees and executive management.** Where the legislative assembly appoints members to a governing body, formal minimum qualification standards generally do not always exist. Formal minimum qualification standards, and the process of nomination and selection of members of independent expert (advisory) committees could be made more transparent in many cases; the same can also be said for the selection of executive management in many entities, raising subsequent issues of accountability.

10. Inconsistent compensation policies for independent committee members can cast unnecessary doubts on their level of independence. In many cases independent members of certain expert committees are compensated principally through travel expenses during participation in committee sessions, which may often not in itself provide sufficient remuneration. In the more rare cases where committee members do receive a formal compensation it is typically based on the compensation levels of relatively senior UN officials. There are also some regular cases where committee members already receive some level of compensation from their Member States –

which is to be expected. Having differences around the types of compensation raises issues around independence.

3.2.4 GOVERNANCE – TRANSPARENCY AND DISCLOSURE

11. A system of declaration and disclosure of personal financial interests for executive management, procurement officers and independent advisors is emerging within the UN system, but not yet fully in place in all entities. Beyond the United Nations Secretariat, many entities have already implemented partial disclosure rules, but not yet all. These disclosure rules should at least cover all members of executive management and members of independent expert committees.

12. **No consistent formal process of evaluation of governing body or committee performance.** While processes of periodic facilitated self-evaluation are common in public sectors around the world, no such comparable processes have been encountered in the UN system during the review.

3.2.5 GOVERNANCE – ETHICAL ENVIRONMENT

13. **Incomplete communication of ethics and the code of conduct.** Frequently, guidance or standards for committee members, such as how to address the dual role of members as advisors to specific entities and as representatives of Member States, have not yet been formally documented. While all entities in the UN system share the ICSC code of conduct, there are varying degrees of adherence to its implementation, typically due to the lack of an in-house ethics function or office with clear responsibilities. Although some UN entities have already launched significant ethics awareness programmes and procedures, other UN entities lack systematic communication and training on the code, and periodic attestation of compliance with the code of conduct have typically not yet been delivered.

3.3 Major Recommendations from Sample of UN Entities (Phase 2)

3.3.1 United Nations

14. The United Nations (and many UN specialized agencies) has the legislative assembly structure of maximum representation of Member States – with 191 members or something very close. Such a model is almost unique in the world, and reflects the intergovernmental nature of the Organization and its international character.

15. The UN operations have grown in volume and complexity, thus making significant demands on the resource allocation process. This has resulted in debates among Member States on key issues such as the appropriate structure and membership of the UN's councils, the most appropriate approach to addressing management challenges, and the appropriate levels of continued funding. Such debates are a legitimate aspect of the inter-governmental process that falls beyond the scope of this report.

16. The interaction between Member States and executive management in the UN, which is the pivotal relationship in most governance processes, has been the object of intense discussion. General Assembly members have in the past criticised the support given by executive management to Member States in providing appropriate information, have declined certain governance change proposals, and have raised concerns about the capability and accountability of executive management. Similarly, executive management has raised its concerns about the complexity of interactions with the governing committees, such as the Fifth Committee, the Committee for Programme Co-ordination (CPC) and the ACABQ.

17. Based on careful review of UN governance practices against best practices principles, five recommendations are developed for the UN that address key governance components.

3.3.1.1 Governance recommendation 1.

Strengthen results-based management in budgets and reporting.

18. The planning and budgeting methodology in the United Nations requires careful consideration and review. While in a structure clearly linked to the various mandates of the organization, the budget primarily specifies the number and grades of individual posts and other expenditure items in each part of the organization. Budgetary inputs are not sufficiently or consistently linked to results such as operational outputs or strategic outcomes, and there are not enough robust tools in place for assessing the performance of the organization in a systematic way other than the financial accounting, evaluations and audits. Under these constraints, discussions and decision-making on budgets and administrative issues typically revolve around detailed issues relating to individual posts and other expenditure items rather than strategic requirements.

19. Some UN agencies have, often in line with the demands of Member States, taken significant steps in creating a clear linkage between strategic mandates and resource allocation. Many of these practices have already been extensively reviewed across the UN system and implementation of them frequently evolves over multiple budget cycles. Implementation typically requires changes to the structure of budget documents, alignment of managerial and information systems, and changes in reporting practices. **There is strong evidence, however, that properly implemented results-based management provides the basis for greater transparency, more effective budgetary decision-making, and therefore improved working practices between governing bodies and executive management. This report strongly advocates the continuance and strengthening of such practices in the future.**

3.3.1.2 Governance recommendation 2.

Strengthen the overall accountability of executive management of the United Nations Secretariat.

20. A set of executive management committees already exist, including the Senior Management Group (SMG) and committees on management, policy, performance, and oversight. However, the SMG functions primarily as a forum for exchange of information and experiences among the wider group of senior managers and the other committees have specific and relatively narrow areas of responsibility. Several of them do not meet regularly. While these groups do serve to promote the responsibilities of executive management, they do not appear to play a comprehensive role in advising and supporting the Secretary General in managing performance. Given his extensive responsibilities, there is a need for an executive management committee (board-like) that supersedes these other committees. This executive management committee will support the Secretary General in his role as Chief Administrative Officer.

21. This report recommends that an effective executive management committee be established by the Secretary General. It would collectively take ownership of the executive responsibilities as a whole, rather than their individual executive responsibilities. Membership would be limited to a practical size and be a combination of executives representing key managerial and operational areas of responsibility. It may also include independent members with appropriate policy and management expertise. The executive management committee may create sub-committees, but these should always be chaired by a member of the committee. The committee would either be chaired by the Secretary General or operate under his direction and should have its own secretariat. In its role to strengthen accountability within the Secretariat and support the governing bodies on evaluation of performance and achieved results, the executive management committee would focus on key items such as managerial accountability, results-based

management, performance monitoring, risk management, oversight, management reporting, and change management.

22. This report also recommends the strengthening of the current accountability framework for executive management (USG, ASG), including formal and transparent performance evaluations, and sanctions for not meeting performance targets. Further, the report recommends the establishment of an open and transparent recruitment and appointment process that relates the qualification and experience of candidates for executive management positions. (See also oversight recommendation 2 of volume IV, which recommends that management provide a representation of the quality of internal controls.)

3.3.1.3 Governance recommendation 3.

Strengthen the term limits and qualifications of expert committees and the independence of their members.

23. The United Nations has established in the governance sphere a number of expert committees, most notably the ACABQ and the ICSC. There is also the decision to establish an Independent Audit Advisory Committee (IAAC), which is fully endorsed in this report (see Volume IV). Each of these committees has key responsibilities in the governance and oversight process in support of Member States. There is a wide, general appreciation of their importance. **However, their effectiveness in supporting the Member State decision making process is often impeded by the relatively limited clarity and transparency around the minimum qualification requirements, nomination and selection processes, and remuneration and disclosure policies for their members. This report recommends that clear procedures are established to promote greater transparency in this process and thus help provide assurance to Member States of the quality of expert technical advice that these committees may be able to provide to the General Assembly.**

24. The General Assembly appoints members of the ACABQ and the ICSC with due regard for broad geographical representation and the members serve in their individual capacities. Qualification requirements are defined differently for each committee, sharing the common feature that they are neither very elaborate nor restrictive. It is recognized that qualification criteria must not be defined in a way that would disproportionately favour participation of particular countries or groups of countries. At the same time, for effective advice and overall good governance, minimum qualification criteria must reflect the particular substantial requirements of each individual committee. **It is recommended that the proposed minimum qualification criteria for the IAAC, included in Appendix 3 of Volume IV, serve as a model for the definition of similar parallel criteria for the ACABQ and the ICSC. While the nature of technical qualifications must be aligned with the responsibilities of each body, there is a need to enhance the technical qualification criteria for both the ACABQ and the ICSC to ensure that they are in line with the most stringent criteria for other comparable public sector functions worldwide.** The IAAC guidelines state that the committee would consist of extremely well qualified individuals who have recent and relevant financial experience. In addition, five different criteria of expertise are set out which at any point of time at least three must be possessed by each member.

25. The current requirements for the ACABQ state that at least three of the 16 members should be financial experts of recognized standing, who have integrity, objectivity and discipline. **This requirement should be extended to all members of the committee. At the same time, additional criteria should be set out which at any point of time three or more of which are adequately possessed by the majority of members: a) technical competency in understanding budgets, financial and performance reports, and evaluations; b) prior membership of an administrative and budgetary (or finance) committee of a public sector body or private corporation; c) proficiency in strategic planning and resource allocation;**

and d) prior managerial and leadership function in a large public or private sector organisation.

26. The current requirements for the ICSC state that members must possess recognized competence and have had substantial experience of executive responsibility in public administration or related fields, particularly in personnel management. A review of the ICSC by the Panel on the strengthening of the International Civil Service has recommended that these criteria should be consistently applied. **In line with these proposals, it is recommended that the general qualifications should extend to all members of the commission. In addition, the two or more of the following additional criteria, as laid out by the Panel, should be adequately possessed at any point of time by a majority of members: a) experience in managerial and leadership functions with a national civil service; b) experience in managerial and leadership functions with an international governmental or large non-governmental organisation; c) experience in executive function in a large private sector multinational enterprise; d) experience with international remuneration comparisons.**

27. The current nomination processes, where nominations are made by either individual members states (for the ACABQ) or by the Secretary General (for the ICSC, and proposed for the IAAC) are both fully appropriate with all nominations being finally approved by the General Assembly. **However, it is recommended that all nominations should relate the background and experience of candidates to the requirements and criteria set out for each committee, and this information be published.** In recognition of the current constitution of the committees, the changes to qualification and nomination criteria could be implemented to coincide with the regular appointment schedule for committee members. To ensure consistency with the highest standards for qualifications and independence, the United Nations should remunerate members of expert committees in the governance sphere in line with comparable positions in the public sectors of

Member States, matching the Noblemaire principle. Basic disclosure rules should be put in place to address potential conflicts of interest. These disclosure policies would be similar to those that apply for members of executive management.

28. This report recommends that expert Committee members in the governance sphere should take collective responsibility for the effectiveness of committee procedures and the committee's interactions with governing bodies and executive management. This would be achieved through periodic reviews of the incorporation of its recommendations in governing body decision-making and executive implementation, as well as facilitated and/or self-evaluations. The outcomes of these reviews would be shared with key counter-parts in the governance process.

3.3.1.4 Governance recommendation 4.

Strengthen procedures of the General Assembly's Administrative and Budgetary Fifth Committee.

29. The UN General Assembly, like other governing bodies, has established and relies upon committees to aid in the conduct of its governance and oversight responsibilities. The Administrative and Budgetary (Fifth) Committee is one such committee. It has an essential role in affecting UN governance and oversight and thereby bears a strong responsibility for the design and functioning of its role in carrying out and overseeing governance and oversight practices related to administrative and budgetary matters of the UN.

30. The Fifth Committee is a committee of the whole, comprising 191 Member States. No other precedence has been encountered, neither in public or private sector, for a committee of a governing body to be comprised of 191 members which does not make use of smaller sub-committees. The same is true of each of the other UN entities covered in this review where there are many examples where Member States have implemented solutions which have adopted some level of smaller administrative, budgetary and finance committees based on a model whilst

retaining an acceptable model of representation. When comparing to best practices of committees aiding a governing body, an administrative and budgetary (or finance) committee of the whole with far more than 100 members is probably unique among international assemblies, parliamentary assemblies, and the boards of public and private sector entities.

31. The very significant responsibilities of the Fifth Committee in governance and oversight of the programmes of the United Nations require a comprehensive agenda. The complexity of the agenda, along with the number and volume of reports submitted to the committee, results in a very severe and challenging workload for committee members. The right of 191 committee members to take the floor in formal and informal sessions ensures that all perspectives are heard. It also regularly poses very significant agenda management challenges. As a result, decision-making on important matters is often exposed to significant time constraints and becomes very resource-intensive for members of the committee. These pressures have increased proportionately with the growth in volume and complexity of peace-keeping and other important mandates in the recent past.

32. Furthermore, the Fifth Committee has highlighted significant challenges in holding executive management accountable and in putting effective risk management practices in place. Other recommendations in this review address gaps in the support provided by executive management through a more effective executive management committee, enhanced executive management accountability, enhanced risk management and strengthening of the OIOS. In addition, recommendations have also been made to strengthen the procedures and independence of expert committees, including the ACABQ and the ICSC, which support the General Assembly in administrative and budgetary matters.

33. The experiences of Member States in governing bodies and administrative and budgetary committees in other UN entities suggest that it is possible for a smaller committee to be representative of the membership and to reach legitimate decisions, whilst still being ultimately accountable to the membership as a whole. As mentioned earlier, Member States in almost every other UN entity have collectively decided to rely on smaller representative bodies to serve these functions more efficiently and effectively. Several entities have made adjustments over time to the size of their committees and opted for smaller committees, frequently comprising between 20 and 50 Member States. These committees can meet more frequently and build strong subject matter expertise (see Appendix 3). In most cases, systems have been put in place to ensure equitable geographical representation as well as rotation of Member States on the committee. Legislative assemblies also retain the power to take final decisions on all matters addressed by the committees. Indeed, no other entity in the UN system has been observed as opting for a committee of all Member States to handle all of its administrative and budgetary matters.

34. From the perspective of efficient and effective governance, the size of the Fifth Committee represents an area for reflection. This report advises the General Assembly to take the opportunity presented by this review to give urgent and earnest consideration to whether a smaller representative body with responsibility for administrative and budgetary matters would benefit the organisation as a whole going forward.

3.3.1.5 Governance recommendation 5.

Improve co-ordination of decisions on programmes and resource allocation.

35. There are several instances of important disconnects between decisions on programmes and decisions on budgetary allocations. The division of responsibilities between the CPC, the Fifth Committee and the ACABQ requires very effective coordination of decision-making to prevent emergence of conflicting or under-funded mandates and to ensure effective alignment between

performance reporting, administrative procedures and resource allocation. Another key example emerges in the area of peace-keeping operations, where mandates are established by the Security Council but budgets and operations are overseen by the General Assembly through the Fifth Committee with the advice of the ACABQ. There are important examples of situations, notably for peace-keeping operations, where mandates governed by the Security Council have been perceived to be under-funded as well as cases where internal and external audit recommendations cannot be implemented due to insufficient operational funding. In addition, many entities in the United Nations have separate governance of regular resources (provided by the United Nations through assessed contributions) and voluntary resources (provided by contributors).

36. This review concludes that the CPC's procedures could be strengthened. The intended mandate of the CPC is important to ensure coherence among programmes within the United Nations itself and across the UN system.

37. Significant change would have to be made to the procedures for CPC deliberations and its operational guidance to enable it to fully meet its challenging role in programme governance. These improvements are not likely to be achieved without the concurrent implementation of effective results-based management and the integration of programme and budget decisions, on which the CPC could provide inputs.

3.3.2 Other Sample UN Entities in Phase 2

38. In addition to the core United Nations, the comprehensive review has included more detailed analysis of four UN entities: UNDP, UNICEF, UNHCR and ICAO. While important similarities were found in the compliance and gaps with the UN Code of Governance, each of the entities faces a different context and there are important differences in their governance structures. UNDP,

UNHCR and UNICEF have implemented results-based budgeting over the last several budget cycles and are seeking to develop their methodology further. Each of these agencies are also, to varying degree, subject to intermittent disconnects between the CPC, the ACABQ and the Fifth Committee on which they rely for review.

39. This report includes two additional key recommendations related to governance, which have emerged from the Phase 2 review of ICAO, UNDP, UNHCR and UNICEF.

3.3.2.1 Governance recommendation 6.

Strengthen effectiveness, transparency, and independence of all committees.

40. It is positive to note that all four non-Secretariat entities in the Phase 2 review have governing bodies consisting of a sub-group of the legislative assembly; three of the entities have governing bodies of 36 members with the fifth entity at 70 members – still much less than the full Member State representation. The first five recommendations above are directed specifically at the United Nations, and therefore may apply differently to each of these entities. UNHCR has seen a gradual expansion of its governing body from an initially envisioned 20 to 25 members to 70 members today. This expansion has resulted in increased complexity in procedures and discussion, which makes effective decision-making more challenging. **Consideration should be given to ensure that this trend of increasing size needs to be halted and ideally reinstate the original size or move to the size of 36 that serves UNDP, UNICEF and ICAO well. None of the four entities, governing bodies or their committees have adopted formal procedures for facilitated and/or self-evaluation for their governing bodies and their committees to periodically review the effectiveness of their procedures and interactions with legislative assemblies and executive management. It is recommended that such procedures should be adopted for all.**

41. Expert committees, such as those for oversight or audit and which exist in each case, should take further steps to enhance their independence and effectiveness. Independent members should be selected through a transparent process with clearly articulated minimum qualification criteria. These members should be remunerated by the entity itself and not by Member States and they should be subject to disclosure requirements similar to those that apply to executive management. Such committees should adopt procedures for facilitated self-evaluation similar to those above.

3.3.2.2 Governance recommendation 7.

Establish appropriate disclosure, ethics and whistleblower policies.

42. UNDP and UNICEF are currently implementing these key processes to ensure greater transparency regarding appointments of executive management. **These entities should also consider implementing appropriate disclosure requirements for executive management and members of independent expert committees, such as audit committees. Ethics functions with appropriate reporting lines should also be put in place to drive the implementation of the organisation's ethics policies. All staff should receive training on the organization's code of conduct. With regard to these transparency-enhancing measures, UNHCR and, more recently, the United Nations provide some good examples for implementation.**

3.3.3 Costs

43. Where appropriate, the incremental cost impacts of the above recommendations have been estimated in terms of one-time implementation costs and annual recurring costs. The incremental costs associated with the governance recommendations include the following activities:

- Connecting strategic objectives and resource allocation will include integrating result-based management processes and improving co-ordination of decisions on programmes and resource allocation [in the order of USDmm $8.900 for one-time non-recurring costs and USDmm $1.700 for recurring costs for the sample five entities].
- Improvement of accountability and performance will involve the establishment of a new executive management committee for the Secretariat and will require policy reviews, framework development, and training for the applicable entities [in the order of USDmm $0.350 for one-time non-recurring costs and USDmm $1.300 for recurring costs for the sample five entities].
- Strengthening the term limits and qualifications of expert committees and the independence of their members will require review of minimum qualification criteria and changes in remuneration processes for applicable committees [in the order of USDmm $0.100 for one-time non-recurring costs and USDmm $2.300 for recurring costs for the sample five entities].
- Strengthening the procedures of the General Assembly's Administrative and Budgetary Fifth Committee involve considerations that would be included as part of General Assembly's regular agenda and, therefore, would not entail any significant additional costs.
- Addressing effectiveness, transparency in nominations and appointments, and independence of relevant committees of entities beyond the Secretariat will require changes to policies and practices [in the order of USDmm $0.300 for one-time non-recurring costs and USDmm $0.100 for recurring costs for the other sample entities].
- Enhancement of the ethical environment will require strengthening of policies and practices [in the order of USDmm $0.100 for one-time non-recurring costs and USDmm $0.400 for recurring costs for the other sample entities].

44. The following chart summarises the one-time non-recurring and ongoing costs associated with the governance recommendations. Ongoing costs represent costs for one year. It is emphasised that these recommendations and the associated incremental costs, together with those in Volume IV, represent an integrated package of measures and should be implemented as a whole.

Estimated Costs for Oversight Recommendations

Recommendations	Estimated Costs (USDmm)	
	One-time non-recurring	Recurring
Strengthen results-based management in budgets and reporting and improve co-ordination of decisions on programmes and resource allocation. (3.3.3.1 & 3.3.1.5)	$8.900	$1.700
Strengthen the overall accountability of executive management of the UN Secretariat. (3.3.2.1)	$0.350	$1.300
Strengthen the term limits and qualifications of expert committees and the independence of their members. (3.3.1.3)	$0.100	$2.300
Strengthen procedures of the General Assembly's Administrative and Budgetary Fifth Committee. (3.3.1.4)	$0	$0
Strengthen the effectiveness, transparency and independence of all committees. (3.3.2.1)	$0.300	$0.100
Establish appropriate disclosure, ethics and whistleblower policies. (3.3.2.2)	$0.100	$0.400

45. The strategic and qualitative value to the United Nations of these improvements in governance structures and processes could be significant. If these steps improve the effectiveness of decision-making related to administrative and budgetary matters and serve to enhance confidence between executive management and Member States, the direct and indirect benefits would be considerable in all key programmes carried out by the United Nations and thus justify the investment.

3.3.4 Implementation planning

46. Once the recommendations have been considered and, potentially, adopted, implementation could at best proceed over the course of one annual session of the General Assembly as new procedures and practices would be put in place. The recommendations on results-based management and reporting would likely take at least two budget cycles to be fully implemented and incorporated in key management processes and information systems. Costs and resources therefore need to be considered over such timeframes.

47. The integrity and reputation of the United Nations has suffered from widely reported failures in its systems of oversight. Reported failures have also arisen in other entities in the UN system. While this review has not sought to link the gaps identified to specific incidents, it proposes changes for clearer management responsibilities for internal controls, more robust risk management frameworks and reinforcing the independence and capacity of internal audit functions. Collectively, the recommendations will help significantly improve assurance and strengthen the capacity of executive management and governing bodies to exercise effective governance and oversight.

Appendices

3.4 Appendix 1: Gap Analysis against the Good Governance and Oversight Principles -- Governance

1. GOVERNANCE – STRATEGY, MISSION, PLANNING & THE GOVERNING BODY

1.1 ***A governing body appointed*** by the Assembly of Member States shall adopt governance practices based on the principles of ***fairness, accountability, transparency and responsibility***. The individuals who comprise the Governing Body shall act in the best interests of the organization.

PRINCIPLE 1.1

UN CURRENT PRACTICE: Principle 1.1 emphasizes the practice of having a governing body appointed by the Assembly of Member States to fulfil the role described under 1.2. Overall application of the first part of this principle, the appointment of a governing body, is high in many parts of the UN system. They are called 'Executive Boards' and or 'Councils', with similar responsibilities. Such a governing body is elected for most specialized agencies, where it usually comprises a smaller number of members than the Assembly of Member States (between 30 and 70 members – although this is still relatively high when compared to most external sources). Most major funds and programmes also have a governing body, although the degree of delegation and decision-making authority from the General Assembly may in some cases benefit from further clarification.

Principle 1.1 also addresses the fundamental governance principles of fairness, accountability, transparency and responsibility. Overall compliance is reasonable but the general levels of accountability of executive management could be improved.

GAPS: The UN General Assembly, given its unique political role, uses a committee of the whole consisting of 191 Member States to fulfil the role of governing body (or board). This handles matters regarding strategy and policy.

1.2 The role of the Governing Body should include setting and maintaining the ***strategic direction*** of the entity, the effective and efficient ***allocation of resources*** and the ***effective monitoring*** of management and the operation of the entity.

PRINCIPLE 1.2

UN CURRENT PRACTICE: Levels of compliance with discreet aspects of Principle 1.2 exists throughout UN entities in many areas. Most UN entities have a stated strategic direction. Resource allocation is generally an established process but with some deficiencies. Monitoring and Evaluation are established functions within the UN system, either within an overall internal oversight function or as a separate management responsibility.

GAPS: The integration and linkage of strategic direction, resource allocation, monitoring and evaluation is inconsistent across the UN. Weaknesses exist primarily regarding the consistent use of results based management (RBM) as a tool to ensure accountability of management. RBM also ensures linkage between strategic planning, resource allocation and performance monitoring and evaluation. Examples can be found in funds and programmes and other entities of the UN Secretariat, where there is often a discrepancy between the responsibility of a governing body charged with setting strategy and the inability of the same governing body to decide on resource allocation. The splitting of authority and responsibility is not sound governance practice.

A second RBM gap in a number of entities is the separation of governing committees on programme issues and on budgetary issues. Implementing an integrated approach to reviewing budgets and programmes jointly, for the purposes of planning, monitoring and performance assessment has yet to be done in some UN entities.

Third, an RBM gap exists regarding monitoring, evaluating and reporting. A number of entities do not yet fully incorporate evaluation as an essential part of results-based resource allocation. However, there is growing acknowledgement of this gap and entities are taking steps to enhance their internal monitoring and evaluation processes and procedures and have, for example, begun to draft formal evaluation policies based upon norms and standards developed by the United Nations Evaluation Group.

A further gap may still exist, even with fully implemented RBM through too much focus on inputs rather than on performance. Some entities have taken steps in the structure of their governing body documents to improve the emphasis on performance reporting.

Another key example of how the focus on inputs affects resource allocation is as follows. Within the UN Secretariat, the General Assembly (through the ACABQ and the Fifth Committee) typically selects inputs to a programme it is willing to fund - without necessarily reassessing the effect this would have on outputs - and then seeks to hold departments accountable for the success of the entire programme. This situation is exacerbated in the case of peacekeeping, where mandate setting and budgetary decisions are made by different governing bodies. This sometimes results in insufficient and/or untimely allocation of resources to peacekeeping missions, particularly in instances where the mandate of a mission is expanded.

A final gap related to Principle 1.2 is the disparity in the manner in which regular budget and extra-budgetary resources are governed, with extra-budgetary resources often considered lacking adequately defined and consistent governance. This gap is only applicable to a sub-set of entities, whereas other entities have moved towards integrated management and discussion of regular and voluntary budgets. They apply well-defined strategic priorities, into which voluntary contributions are channelled, or outside of which they are not accepted. Where strategic guidelines regarding the use of voluntary funds are not clearly defined or insufficiently respected by the entity, it is the governing body's role to address this question and then redress the situation.

1.3 The Governing Body should have a ***strategic plan that*** reflects how the entity will seek to fulfil its purpose ***efficiently, effectively and sustainably***.

PRINCIPLE 1.3

UN CURRENT PRACTICE: Principle 1.3 addresses the governing body's role in promoting an efficient, effective and sustainable strategic plan. When viewed autonomously, most UN entities comply with the intent of this principle. Most entities maintain updated mission statements and strategic plans, which have increasingly built a foundation in the Millennium Development Goals. Efficiency and effectiveness goals are monitored through various Oversight functions (Internal Audit, Monitoring, Evaluations, Investigations), and the effectiveness of these functions is covered in other principles.

GAPS: The most significant gaps nevertheless exist at the level of the United Nations system as a whole, where the total scale and scope of *cross-entity mandates* are highly complex and insufficiently co-ordinated. Best practice coordination methods would require a cross-cutting strategic plan and corresponding monitoring system. The lack of an overall integrated strategy can lead to unnecessary redundancies and/or competing mandates, which in turn can result in less than optimal use of resources.

1.4 The ***purpose*** of the entity, its ***stakeholders***, its ***tolerance*** for risk and its ***key performance indicators*** should be defined and reflected in the entity's policy statements, communications, decision making and working practices.

PRINCIPLE 1.4

UN CURRENT PRACTICE: Principle 1.4 is generally very well applied with regard to *purpose*, but low as regards to *risk tolerance* and *key performance indicators*. The purpose of the UN is clearly laid out in the UN charter, and the UN General Assembly and other legislative bodies of the specialized agencies provide clear representation to all Member States.

GAPS: A gap exists regarding risk management which serves to determine the organisation's risk tolerance, and which is discussed in more detail in principle 6.1. Also, although most entities are using key performance indicators (KPI's), there is a clear gap in their application in decision making and, therefore, in their effectiveness. There are some good examples of UN entities who are seeking to implement such KPI's in this direction, but they are not yet found consistently throughout the UN system.

1.5 The expert committees of Governing Bodies should comprise members ***independent of management*** and major stakeholders.

PRINCIPLE 1.5

UN CURRENT PRACTICE: There is, for example, increasing recognition of the value of having outside experts on certain committees and a practice to include at least some outside experts on Audit Committees. Several UN entities have communicated that they believe it is more effective for executive management to make recommendations to the governing body on the composition of outside experts of their committees, rather than the governing body making their own direct recommendations. This potentially allows for the nomination process to be more focused on appropriate professional skills for the outside experts. Geographical representation and the appropriate professional and technical expertise should both be achievable for appointments to expert committees.

GAPS: Overall, the legislative bodies within the UN system necessarily comprise Member State representatives and the governing body often represents a sub-group of these. The inclusion of independent members on expert committees remains the exception rather than the rule and is usually limited to some Audit Committees and sometimes a Finance Committee or Advisory body to a Finance Committee.

2. GOVERNANCE – GOVERNING BODY & COMMITTEE STRUCTURES

2.1 In the interests of efficiency and effectiveness, the ***Governing Body can appoint Committees*** with defined terms of reference and levels of authority and whose membership has the necessary expertise in order to make recommendations to the Governing Body or act on its behalf.

PRINCIPLE 2.1

UN CURRENT PRACTICE: There is a strong level of compliance with **Principle 2.1** in terms of the establishment and existence of governing committees for particular governing functions amongst the

UN, funds, programmes and specialized agencies. The United Nations governs key areas such as administrative and budgetary matters through committees of the whole but has appointed smaller advisory expert committees in some areas. It is understood that maintaining the representativeness of the Fifth Committee is an important matter for many Member States.

GAPS: There are significant gaps relating to the terms of reference and expertise levels of these various governing committees.

In a number of cases, the governing bodies' committees' roles and work is either not comprehensive or not clearly aligned in their scope. An example is the inspection of programmes and budgets by the Fifth Committee, the CPC and the ACABQ. There are also cases where challenges of coordination emerge when the regular and voluntary resources of entities are reviewed and approved by different governing bodies and committees without full coordination.

Numerous interviewees, at both Member State and at executive management levels, expressed the view that the meetings and procedures of very large governing bodies and committees can be inefficient and often ineffective. Smaller governing bodies, while maintaining geographic and other representation requirements, tend to strengthen the productivity and effectiveness as expressed in the principle, and there are many illustrative examples of smaller governing bodies within the UN system which support this hypothesis.

2.2 Where the Governing Body delegates authority, it ***cannot abdicate its ultimate responsibility for a Committee's actions or omissions*** with regards to matters such as resource allocation, risk management, internal controls, remuneration and financial reporting.

PRINCIPLE 2.2

UN CURRENT PRACTICE: The UN generally appears to comply with this principle. No obvious gaps have been found where such abdication takes place. In fact, generally speaking, the main legislative assemblies in the UN tend to over-exercise their responsibilities and there is not enough delegation to smaller, more effective, but still accountable, bodies or committees.

GAPS: None

2.3 The Governing Body and its Committees should have access to ***independent advice.***

PRINCIPLE 2.3

UN CURRENT PRACTICE: There is a mixed picture for **Principle 2.3** within the UN system. Most, if not all, UN entities have shown an understanding of the importance of having independent expertise available, but this understanding is not always implemented. Examples are those entities which have established Audit Committees, where numerous (but not yet all) entities are including external, independent members.

GAPS: Only a few entities are using independent expertise or provide access to independent expertise for committees other than Audit Committees. An example would be a specialized agency which uses an independent financial experts group to support its financial committee.

2.4 ***Nominations and appointments*** to the Governing Body and committees should be made on the basis of ***formal transparent procedures and agreed criteria***.

PRINCIPLE 2.4

UN CURRENT PRACTICE: Member State representatives for governing bodies are appointed generally by their Member State governments. This is the normal UN practice and is not considered a 'gap'. For committees appointed by Governing Bodies, there are strong examples of the practice of **Principle 2.4** within the UN system - for example, nominations and appointments to the Fifth Committee are published. However, there are other examples where this is not the case.

GAPS: Within the UN system, nominations to governing bodies are necessarily comprised of Member State representatives. There are gaps regarding the nomination and appointment of Member State representatives to the various expert committees which would benefit from more transparency and consistency. This is mainly in regard to the existence of clear nominating processes and nomination criteria for such committees, where there is a justifiable strong emphasis on equitable geographic representation but also not enough emphasis on expertise. Rules and procedures for committees and some governing bodies of UN funds and programmes provide criteria for geographic representation, but do not often provide parallel competency criteria.

2.5 A significant proportion of Governing Body and Committee members should be available for ***re-appointment on an agreed rotational basis.***

PRINCIPLE 2.5

UN CURRENT PRACTICE: Principle 2.5 has a high degree of compliance. There is usually a rotation policy regarding governing bodies of specialized agencies. In addition, rotation of countries on committees and governing bodies of funds and programmes is customary.

GAPS: None

2.6 The Governing Body is responsible for ***appointing a chief executive officer*** separate from its Chairman or President through a formal and transparent process.

PRINCIPLE 2.6

UN CURRENT PRACTICE: Principle 2.6 has mixed levels of practice within the UN system. In the specialized agencies, good examples are relatively high given that the governing body or the Assembly of Member States appoints the chief executive officer. Similarly, the Secretary General of the UN is appointed by the GA, on recommendation by the Security Council. In the funds and programmes, the Secretary-General formally appoints the heads of such bodies, on recommendation of or in consultation with the governing bodies or the Assembly of Member States of the entities concerned.

GAPS: There is a gap on the part of the transparency of the process, as the procedures for selection and appointment are not necessarily widely understood or communicated internally or externally.

3. GOVERNANCE – HUMAN RESOURCES MANAGEMENT

3.1 Competencies of the Governing Body, its Committees and Executive Management should reflect the ***knowledge and skills*** needed to fulfil the purpose of the entity and to implement its strategic direction.

PRINCIPLE 3.1

UN CURRENT PRACTICE: Principle 3.1 generally sets out the need for appropriate skills and competencies of the governing body, its committees and Executive Management. In the UN context, this principle refers to Assembly of Member States expert committees; governing bodies and committees of funds, programmes, and specialized agencies; and executive management of the operating entity itself. Compliance to this principle is varied.

GAPS: A gap exists regarding the perceived breadth and depth of expertise of some committees. In a number of instances, committees dealing with highly technical matters have not defined formal minimum qualification criteria nor put in place appropriate training programmes, raising concerns about the technical skills required for this task. This is the case, particularly for independent expert committees. Some entities have demonstrated the value of putting in place improved selection criteria for committee membership and of introducing induction training for incoming committee members.

In the selection of executive management, nominations also frequently do not specifically relate the background and experience of candidates to a clearly defined set of qualifications and criteria. Selection procedures for executive management vary widely across UN funds, programmes and specialized agencies. Some entities have historically conducted elections of executive heads through a very open competitive process. More recently, the United Nations has also taken initial steps to make the selection of senior executives more transparent but further disclosure is needed.

3.2 The Governing Body or a Committee of the Governing Body should ensure that ***compensation policies and practices*** for expert committee members and Executive Management are supported by the entity's providers of funding, fully disclosed, consistent with the entity's culture and the individual's performance.

PRINCIPLE 3.2

UN CURRENT PRACTICE: Principle 3.2 requires the existence of compensation policies that are consistent with the organization's culture in order to achieve management accountability. Compliance is generally considered quite good. Remuneration of Member State representatives is of course the responsibility of their respective governments. UN management and staff compensation policies are transparent and salary scales are published as are compensation rules for independent expert member of committees of governing bodies.

GAPS: Implementation of these policies for management and independent expert committee members is less well known and understood. In addition, with respect to Executive Management, it has been frequently observed that compensation may not be competitive with jobs outside the UN or appropriately structured and that there are inadequate links between compensation and performance and other strategic requirements of agencies. There are now ongoing pay-for-performance pilots, which should impact performance-related compensation UN staff.

3.3 The Governing Body, its Committees, and Executive Management should all have ***succession plans*** in place.

PRINCIPLE 3.3

UN CURRENT PRACTICE: Compliance with this principle is generally low for executive management. At the management level, a few UN entities have begun systematic succession planning processes, including building up senior level pools of qualified professionals.

GAPS: Few entities have a formal succession planning process. Additionally, attempts at succession planning are hindered by cumbersome Human Resource posting, recruiting and contract policies and by the mobility policy. However, the Secretary-General has recently proposed changes to, amongst others, simplify employment contracts and build leadership and management capability. Recruitment remains a lengthy process and at times results in posts remaining vacant for long periods. In the field, recruitment problems tend to be even more pronounced. In addition, mobility requirements do not always result in the most qualified persons being hired for a given position and may reduce the effectiveness of succession planning. On the other hand, a contract buy-out programme has been proposed by the Secretary General, and this could positively impact the effectiveness of succession planning.

4. GOVERNANCE – TRANSPARENCY & DISCLOSURE

4.1 Management should provide timely ***disclosure to the Governing Body and appropriate Committees of all matters of significance*** regarding the entity, including its financial situation and performance.

PRINCIPLE 4.1

UN CURRENT PRACTICE: In one key sense, there is ample evidence to support the view that examples of **Principle 4.1** are generally high. Entities provide complete and timely information to their governing bodies.

GAPS: The gap here is not in the availability of information but in its volume, lack of focus and relative prioritization. Generally, the sheer mass of reported information inhibits the ability of the governing bodies to examine and analyse information efficiently and to draw relevant conclusions speedily. On this matter reference should be made to the comments stated under Principle 1.4 regarding key performance indicators and results-based management.

4.2 The Governing Body should provide timely disclosure to the Assembly of Member States and the entity's relevant stakeholders of all matters of significance.

PRINCIPLE 4.2

UN CURRENT PRACTICE: Compliance with **Principle 4.2** is high. No specific gaps in the UN entities were discovered in the disclosure to legislative bodies and stakeholders.

GAPS: None

4.3 Governing Body, Committee members and Executive Management are required to disclose all relevant personal and related party financial matters and interests that may give rise to any conflict of interest.

PRINCIPLE 4.3

UN CURRENT PRACTICE: Principle 4.3 has low but growing levels of compliance. In general, procedures related to the disclosure of financial interests, especially for executive management, currently exist in the United Nations, where the procedures have also recently been extended to include all staff at D1 level or above and staff involved with procurement and investment activities. Similar procedures are now also in the process of being implemented in other entities across the UN system.

GAPS: A gap exists as financial disclosure procedures have in the past been weak and have lacked enforcement, monitoring and sanctions. Financial disclosure requirements for executive management are currently under review in a number of entities. The expectation is that the newly proposed financial disclosure requirements will prove to be more comprehensive, applying to more UN staff, with different levels of disclosure needs for different staff levels.

4.4 The Governing Body, Committees and Executive Management should ***demonstrate probity in the conduct of their activities***.

PRINCIPLE 4.4

UN CURRENT PRACTICE: On **Principle 4.4**, no specific gaps were found on the displayed probity.

GAPS: A secondary gap exists regarding the definition and communication of the code of conduct, as discussed in Principle 4.1. Specifically, guidance or standards for governing body members, such as how to address the dual role of members as advisors to specific entities and as representatives of Member States, have not always been formally documented. Some UN entities are addressing this issue by providing additional, although not necessarily regular, training to executive management and staff members on integrity, ethics and the code of conduct.

4.5 The Governing Body should conduct and report through ***facilitated evaluation*** of their performance on an annual basis.

PRINCIPLE 4.5

UN CURRENT PRACTICE: Principle 4.5 has very low or perhaps no examples of this.

GAPS: Across the UN system, governing bodies do not generally conduct self-evaluations, and no significant plans to institute a self-evaluation process are currently in place.

5. GOVERNANCE – ETHICAL ENVIRONMENT

5.1 The manner in which the entity is governed should ensure that the entity acts and is seen to act responsibly and responsively to its stakeholders.

PRINCIPLE 5.1

UN CURRENT PRACTICE: For **Principle 5.1**, an important step taken by some entities to support the social and ethical framework in the organization is the establishment of an Ethics Office. Currently, the Secretariat has established an Ethics Office, and some entities are considering similar functions.

GAPS: None specifically for this principle but see gaps for Principles 4.2 and 4.3.

5.2 The entity should have a written code of conduct, which reflects its values and ***appropriate investigation and disciplinary procedures*** with sanctions for any violations of the code.

PRINCIPLE 5.2

UN CURRENT PRACTICE: Principle 5.2 has moderate compliance. All UN entities have implemented the UN code of conduct or an adapted version of the UN code of conduct. A subset of entities has broad training and communications on a frequent basis to all staff.

Across the UN, disciplinary procedures and sanctions are enforced. However, compliance is varied.

GAPS: Staff awareness of the specifics of the code is low. In addition, some entities, including the Secretariat, lack systematic communication and training on the code, as well as periodic attestation of compliance with the code of ethics.

Some staff reported that weaknesses exist in the investigations process which necessarily precedes disciplinary action. In addition, some staff have cautioned that disciplinary procedures have become too cumbersome, prolonged and may be in danger of not guaranteeing the rights of the employee in high profile cases. On the other hand, management claims the reverse is true in that non-senior cases almost always result in judgments against management.

5.3 There should be mechanisms for enabling ***responsible whistle-blowing,*** including appropriate whistle-blower protection.

PRINCIPLE 5.3

UN CURRENT PRACTICE: Principle 5.3 has high compliance when it comes to the existence of whistleblower procedures. A majority of UN entities already had or have recently established whistleblower protection mechanisms. In general, the remainder of UN entities protects the identity of the whistle-blower, although this practice is not always incorporated in the formal policies of the organization.

GAPS: The compliance with principle 5.3 regarding management support of whistleblowing and reporting varies. Some entities are investing significantly more time and effort than others on communications and training related to whistleblower protection. In addition, there is a perception among staff, especially in the Secretariat, that confidentiality is not part of the organizational culture. Such staff perceptions hinder the effective use of whistle-blower procedures.

3.5 Appendix 2: Gaps and Recommendations for Sample Entities -- Governance

1. SECRETARIAT

Summary of gaps and recommendations for UN Secretariat – Governance

The UN governing body and its committees are large and numerous, and the decision making process is highly complex. Members of expert committees, such as the ACABQ, should be nominated and selected in a transparent way; should be required to have a set of minimum technical qualifications; and should receive compensation from the UN. The procedures of the Fifth Committee should be strengthened through General Assembly consideration of reducing its size whilst retaining its representativeness.

In the area of strategy determination and resource allocation, all departments and offices of the UN prepare strategic plans, outline their goals, and provide their budget estimates. However, there is no integrated and holistic review of strategy, programmes and budgeting in the General Assembly and its committees. As such, duplication of efforts involved in the various reviews exists, and UN system-wide prioritisation is not always consistent. Improvements are recommended in the decision-making process of the key committees through self external evaluation and an increased focus on strategic issues rather than discussing detail. Strategic prioritisation should also drive the implementation and integration of results-based management within all critical departments and offices, supported by strengthened monitoring, evaluation and reporting. These recommendations should result in fewer reporting requirements that are more focused and strategic in nature, and that enable effective decision-making.

Structures to assess performance and accountability are in place for staff and, to a certain degree, exist for executive management. However, the effective implementation of these mechanisms requires improvement. To strengthen the accountability of executive management, the UN should utilize the recommended executive management committee for strategy articulation and results-based performance monitoring, evaluation, and reporting. To strengthen accountability of staff, the UN should devise a framework for accountability and empower employees to meet their responsibilities. Enforcement of accountability at all levels through training and communication will promote a strong tone from the top.

An ethics office has been established and ethics and values training are being offered system-wide. Hotlines for harassment and fraud reporting issues are in place, and whistleblower protection policies have been developed. These developments are positive for improving the overall governance 'climate' and are their continuation is encouraged.

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
Connecting strategic objectives and resource allocations (3.3.1.1 and 3.3.1.5)				
Budget documents do link programmes and resources. But full Results Based Management (RBM) has not been implemented and results-based approaches are implemented unevenly across UN departments and offices While committees of the General Assembly	*Disconnected decision-making on strategic objectives and resource allocation* Disconnect between strategic plan and budgets frequently arises where: (a) Mandates and budgets are not reviewed by the same entities, and/or (b) Decisions between regular and voluntary budgets are made by different governing	**Strengthen results-based management in budgets and reporting.** Develop or continue to enhance RBM to drive achievement of the UN entity's mandates and strategic objectives by: - Clearly outline the cycle for RBM; - Include the necessary operational support for RBM (through incorporation into appropriate policies, processes, and procedures, development of performance indicators, reporting mechanisms, etc.); and - Utilize information technology for activity implementation, monitoring, evaluation, and reporting.	Likely derived benefits in response time and programme impact, and ultimately, programme effectiveness Improved transparency, sharper focus on strategic outcomes, and improved basis for prioritisation of resources. Over time, these features would contribute to more	Costs for RBM system assume that the Secretariat implements a corporate RBM system, allowing measurement of both quantitative and qualitative performance. The Secretariat has already implemented components of an RBM system accounting for 25% of what is needed. RBM is implemented in a phased approach, which

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
and other governing bodies provide guidance to UN executive management at the strategic level, discussions often focus on inputs rather than outputs and outcomes. The ACABQ performs substantial reviews of budgets, and in so doing occasionally reviews the programme side of the budgets. The CPC is responsible for	bodies or by the same entities in separate deliberations, and (c) Where RBM frameworks are insufficient to compensate for the lack of integrated perspective in decision-making. Lack of clearly articulated outputs and outcomes and concerns about executive accountability frequently lead Member States to require reports on	**Improve coordination of decisions on programmes and resource allocation.** Align programme and budget decisions through improved coordination between the Fifth Committee, the CPC and the ACABQ, including procedures for formal liaison, joint reporting, and highlighting unfunded mandates under the results-based budgeting methodology. The success of the strengthened alignment would involve strengthening of the CPC, through for example, improving alignment of sessions with budget cycle and defining minimum qualifications criteria for members of the CPC.	confidence that detailed aspects of budgets and expenditures are executed appropriately. Systematic inclusion of resource availability arguments and goal oriented use of resources in strategic planning processes Strategic objectives achieved more efficiently and effectively by	involves implementing a system to track operational indicators first, results based budgeting second, and a corporate RBM system third.

Current Practice	*Gap*	*Recommendation*		
		Activities	***Benefits***	***Cost Assumptions***
reviewing the programmes, which does not entail a review of the budgets of those programmes.	details of resource allocation and expenditures.		appropriately allocating resources against defined objectives Focus on priorities which are achievable with available resources and avoids dilution of priorities and fund allocation	
Executive management accountability and performance (3.3.1.2)				
Executive management (SG, USGs) interact in several groups, including the Senior Management Group,	*Lack of clear accountability* Executive management does not effectively take collective ownership of the support to Member	**Strengthen the accountability of executive management of the United Nations Secretariat** - Set up an executive management committee, which would take joint ownership of accountability and performance.	Enhances accountability of executive management by increasing its responsibility to participate in the	Assigning expanded responsibilities to the executive management committee does not result in a significant increase in time required.

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
and committees for Management, Policy, Performance, and Oversight. Some accountability mechanisms have been implemented. A Compact, which incorporates programme, finance, and HR elements, is put in place at the USG level. The Management	States and the performance of the organization. The Secretary General lacks mechanisms through which to discharge responsibilities as chief administrative officer and senior managers accountable. Executive management committees serve primarily as fora for exchange of information and provide an effective platform for holding the	Responsibilities would include for strategic planning, results-based budgeting as well as performance and risk management; - Restrict executive management committee membership to 6-8 members; - Set up sub-committees, each of which would be chaired by a member of the executive management committee. These sub-committees would supersede existing management committees; - Strengthen current accountability framework for executive management (USG, ASG), including formal and transparent performance evaluations and sanctions for not meeting performance targets; and - Set up an open and transparent nomination and selection procedure that relate to the	elaboration of strategy, or strategic alternatives, for decision by the governing bodies. Executive management have a clear understanding of their responsibilities; and are provided with the tools and decision-making authority to fulfil their responsibilities The entity's culture	The committee will have a secretariat comprised of 3 general staff, 2 senior professionals, and 3 director-level professionals who will work full time. An in-depth review is required to assess current policies and develop a Secretariat specific accountability model/ framework (estimated at six to eight months), which would

Current Practice	***Gap***	***Recommendation***		
		Activities	***Benefits***	***Cost Assumptions***
Performance Board (made up of the DSG, various USGs, and an external member) is intended to monitor performance. However, such elements have not been fully implemented and do not adequately assess executive management's accountability. The Performance Appraisal System is intended to measure	organization accountable. *Inadequate focus on performance* (i) Executive management not held accountable for achievement of outcomes; (ii) Focus on inputs rather than outputs in budgeting and reporting; (iii) Limited use of evaluation function as management tool	qualification and experience of candidates for executive management positions. See also Recommendations on risk management in Volume IV – Oversight and Recommendations on evaluations functions in Volume V on OIOS	encourages accountability, right from the top Governing bodies and committees are able to more accurately assess whether outcomes are being achieved	entail costs of professional services. Assume that 100 senior managers are trained in accountability within the Secretariat (at a cost of approximately $500 per person). New accountability policies do not impose a significant recurring cost.

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
accountability performance of staff. While the structure of the system is sound, managers do not properly utilize the system due, in part, to lack of accountability and tone at the top.				
Independent experts on governing bodies and their committees (3.3.1.3)				
The ACABQ operates as an independent expert committee responsible for the review of administrative and budgetary matters.	Lack of specific minimum qualification criteria, transparent nomination processes and independent remuneration inhibit the independence of experts	**Strengthen procedures of expert committees and the independence of their members** Applies to the ACABQ, the ICSC and the IAAC. - Increase independence of members; minimum qualification criteria; and	Strengthened procedures for selection, remuneration and disclosure will promote the quality and independence of committees.	ACABQ (16 members) would receive full-time salaries for the time they work (about half a year). IAAC salaries have been included in oversight

Current Practice	Gap	Recommendation		
		Activities	*Benefits*	*Cost Assumptions*
ACABQ members are not UN staff, they are typically civil servants of Member States, and only the chairman receives a regular remuneration from the UN. The ICSC is responsible for setting compensation levels and other conditions for the international civil service, as well as matters of international civil service reforms. A	on key expert bodies. Disclosure policies are not consistently applied for members of expert bodies.	transparent nominations and selection procedures that relate to the qualification and experience of committee members - Introduce remuneration by the UN to ensure that membership of expert committees is attractive to highly qualified and independent candidates - Put in place disclosure policies, similar to those applicable to executive management, to address potential conflicts of interest - Regularly assess effectiveness of committees either through external or self-evaluation by the committees.	Advice provided by the committees with stronger procedures would assist more effective decision-making by the General Assembly and its committees.	recommendation 4.3.1.3. ICSC (15 members) would be paid DSA for each of the 24 days it meets. A short review by a team of 3 senior professionals with part time director oversight to develop qualifications and nomination processes is recommended. The process would take about 6 weeks (full time staff) with 2 weeks of

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
panel review has recently recommended that minimum qualification criteria should be consistently applied in nominations and selections of committee members. The creation of an independent audit committee (the IAAC) has been recommended.				director support. In addition to developing the guidelines, one director and one senior professional would be needed to communicate the changes and ensure that revised processes are incorporated. Each would need to spend roughly 1 week. Qualifications should be reassessed every 3-5 years, however, this cost is negligible.

Current Practice	**Gap**	**Recommendation**		
		Activities	**Benefits**	**Cost Assumptions**
Governing body and committee structures (3.3.1.4)				
The General Assembly has not appointed a governing body and relies of committees of the whole to conduct its governance and oversight activities. The decision making processes in the Administrative and Budgetary (Fifth) Committee are often complex and operate under significant time constraints. These	Smaller representative committees have not been appointed to ensure efficient and effective decision making on details of administrative and budgetary matters General Assembly has not recently conducted a formal evaluation of the efficiency and effectiveness of its committees, including the Fifth Committee	***Strengthen effectiveness and procedures of the General Assembly's Administrative and Budgetary Committee (Fifth)*** - Give earnest consideration to a smaller representative body with responsibility for administrative and budgetary matters; - Assess the impact of the membership and procedures of the Fifth Committee based on the UN Code of Governance; - Compare the experience of other UN entities that have appointed smaller governing bodies and administrative and budgetary (finance) committee's responsibilities to the requirements for the Fifth Committee.	Improvements in the procedures of the Fifth Committee would likely result in more efficient and effective conducts of its governance and oversight responsibilities.	Considerations would be included as part of General Assembly's regular agenda.

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
pressures have increased in the recent past with the growth in peace-keeping and other mandates.				

2. UNDP

Summary of gaps and recommendations for UNDP – Governance

In the area of strategy determination and board and committee structure, UNDP is well positioned, with an Executive Board of an appropriate size (36) and a defined rotation policy. UNDP has a strategic plan, which takes into account developments between planning exercises, and the widespread implementation of RBM has been initiated. Improvements are recommended in the decision-making process of the Board through the facilitated evaluation of Executive Board processes and an increased focus on strategic issues as opposed to discussion on details. Increased strategic focus is particularly important in light of UNDP's broad mandate, which carries with it the danger of diluting resources among too many objectives. Strategic prioritization should also drive the further implementation and integration of RBM, supported by strengthened monitoring, evaluation and reporting.

The use by the Executive Board of external experts is limited and should be increased.

The composition of the Board and its committees will benefit from use of minimum qualification standards for new appointments.

The value of succession planning is fully recognized with the existence of a Talent Management function, and selection panels are used for the appointments of senior management. The process should be further improved with increased transparency of the criteria and the processes for selection of executive management and more formalized and systematic succession planning, as well as greater investment in management and leadership skills.

A comprehensive accountability framework has been drafted, but still requires implementation. This should include appropriate delegation of decision-making to empower employees to meet their accountability, as well as regular communication and training, and the application of consistent accountability standards.

Ethics and values training are in place as well as hotlines for harassment and fraud reporting issues, and whistleblower protection policies are currently under development. To ensure more consistent and sustained attention to developing ethics issues, UNDP should consider creating a formal ethics function and strengthen the consistent communication to the staff, including through training on the UN code of conduct and other issues such as fraud. The budding whistleblower protection policy should be enhanced and widely communicated.

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
Size and decision-making processes of governing bodies (3.3.2.1)				
UNDP's Executive Board is made up of 36 members who rotate based on geographical distribution. Internal decision making of the Board revolves around reviews of financial affairs, organizational changes, programmes, and core contributions.	Internal decision making of UNDP's Executive Board could be optimized, as there are no systematic mechanisms to review, refine, or report on decision making processes.	**Introduce facilitated evaluation** of Executive Board processes and report on performance to ECOSOC on an annual basis. **Formalize processes** to raise awareness of the Board on technical matters. Ensure the Executive Board provides UNDP with **guidance at the strategic level**, and is less focused on details.	Enhanced efficiency, effectiveness, and accountability of UNDP's Executive Board	For the facilitated external review sessions: a) The external evaluator/facilitator requires 14 days (2 days for discussions per Board/committee, 4 days for reviewing materials for Board/committee, and 1 day for attending formal and informal meetings per Board/committee). UNDP has a Board (36 members) and 1 committee (Audit, 5

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
				members). For the establishment of guidelines for raising Board's awareness: a) Two senior professionals working for about 8 weeks with 2 weeks of director guidance are required to review strategy and budget more holistically and establish qualifications. Communicating the results of this study is included in the time

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
				estimates.
Connecting strategic objectives and resource allocation (3.3.1.1)				
UNDP's strategic plan is outlined in the Multi-year Funding Framework (MYFF), which is formulated every 4 years. The basis of the MYFF stems from major issues raised in the previous MYFF and reflects the emerging development context. The MYFF includes 5 practice areas, 6	Implementation and full integration of results-based management with resource allocation (specifically, regular resources) has yet to be achieved.	**Further enhance results-based management** (RBM) to drive achievement of UNDP's mandates and strategic objectives: - Conduct strategic planning at each level (e.g., regional, headquarters) based on the entity's mandate; - Ensure that organizational priorities and corresponding resources are focused, agreed upon, and communicated effectively; - Assign resources to identified organizational priorities; - Strengthen effectiveness of monitoring, evaluation, and reporting on performance and ensure these occur on a periodic basis; and	Achieve strategic objectives more efficiently and effectively	Developing a cost estimate for implementing a RBM system depends on how advanced a RBM system is desired: a) Operational indicators b) Results based approach to budget (includes a) c) Corporate RBM (measurement of quantitative and qualitative performance -

Current Practice	Gap	Recommendation		
		Activities	**Benefits**	**Cost Assumptions**
drivers, and 30 service lines. Full integration of results-based management with resource allocation occurs for all voluntary contributions.		- Revise strategic goals and organizational priorities periodically in light of evaluation results and changing mandates and mission. **Implement and fully integrate RBM** into appropriate policies, processes, and procedures: - Risk management - Accountability - Knowledge management - Results-based budgeting Further refine key indicators for monitoring activity Expand reporting mechanisms, including executive and board reporting formats (e.g., scorecards, dashboards) with key indicator		includes a and b) d) Activity based costing (combination of costs and results - includes a, b, and c). Given the current starting point of UNDP, which is rather high relative to other entities, and the assumption that UNDP wants Corporate RBM, there are two implementation options: 1) phased approach - implementation of

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
		information and reporting timelines. Strengthen follow-up on recommendations made by monitoring and evaluation functions and processes. Utilizing information technology for activity implementation, monitoring, evaluation, and reporting.		operational indicators then a results based approach to budget then corporate RBM or 2) corporate RBM from the start. The incremental ongoing operating costs are negligible as significant staff capabilities already exist. The most likely scenario is that UNDP implements RBM in a phased approach, which is how it

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
				has evolved to date; thus, assumptions related to this approach are used to estimate the overall costs.
Independent experts on governing bodies and their committees (3.3.2.1)				
UNDP's Executive Board utilizes experts on an ad hoc basis (some donor countries use independent experts during sessions where topics such as finance are discussed).	UNDP's Executive Board does not use external experts on a regular and consistent basis.	**Expand the use of independent experts** on the Executive Board and relevant committees, especially on discussions and reviews of a technical nature.	Increased processes such as trust, technical quality of decision-making, and capacity for review and debate	There are three additional board members required. These members will attend quarterly meetings lasting 3 days each.
Qualification standards; transparency in nominations and appointments, and succession planning (3.3.2.1)				
Selection panels are in	There is a lack of formal	**Clarify minimum qualification standards**,	Managing development	For qualifications of the

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
place and processes for selection and appointment of senior management are beginning to be reported to all UNDP staff.	minimum qualification standards (including level of seniority) for the majority of members of the Executive Board.	including level of seniority, for members of the Executive Board and its committees. Ensure that a majority of the Board and relevant committees **meet minimum qualification standards**.	of management from within the entity provides a powerful tool for imbedding core values	Executive Board: a) Establish a team staffed with 2 senior professionals with part-time director oversight to develop specific qualifications. The process takes about 4 weeks with full-time staff and with approximately 1 week of director-level guidance and support. b) These qualifications are reassessed every 3 to 5 years; however, this cost is assumed to be negligible.
Nomination and succession planning for executive management of UNDP (USG and ASG level) is performed jointly with the UN, and out of UNDP's full control.	Nomination and selection of executive management (i.e., the Administrator, Associate Administrator, and Bureau Heads) is not currently perceived as fully systematic and open. UNDP, and the UN, would benefit from	**Enhance transparency of criteria used for nomination** of executive management. **Enhance transparency of processes for selection** of executive management.	Improved morale, reduced staff and management turnover, and reduced hiring and training costs Ensure leadership continuity in key positions Retain and develop	

Current Practice	***Gap***	***Recommendation***		
		Activities	***Benefits***	***Cost Assumptions***
A Talent Management function exists within UNDP that employs various succession planning tools, including: - Identification of core competencies required for senior management candidates - Communication of competencies and objectives to ensure	further increased transparency. Identification of future management and leadership pool is not fully systematic, and structured. Oversight of UNDP's selection process and succession planning is not fully adequate. UNDP lacks corporate level program that would provide consistent and	Improve corporate-level processes and oversight for filling vacant senior management positions through **more formalized and systematic succession planning**: At the corporate level, create a systematic process for identifying and selecting high potential individuals as leaders Create a more structured leadership development program that may involve self-development, varied job-assignments, education, training, and formal mentoring Further improve management and leadership training programs Evaluate the succession plan on a periodic basis:	intellectual and knowledge resources for the future Encourage individual advancement Make HR management more strategic and responsive to the entity's mandate and challenges Ensure more systematic and timely succession for senior staff	For transparency in nominations of executive management: a) Establish a team staffed with 2 senior professionals with part-time director oversight to develop specific selection and nomination processes. b) The process takes 3 weeks, with full-time staff and approximately 1 week of director-level guidance and support.

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
that all eligible candidates have the opportunity to express interest in the position - Determination of the size of the future candidate pool required through analysis of the entity's "supply and demand", staff trends, and expected retirements, and turnover - On an ad hoc basis, identify and select high potential individuals - Nomination of	effective investment in management and leadership skills.	- Determine, either qualitatively and/or quantitatively, the expected benefits and costs of the succession plan	Secure the best fit between post and staff Contribute to the streamlining of the recruitment process	

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
individuals for participation in several leadership programs such as the Management Development Centre				
Mandates of UN entities and functions of governing bodies and their committees				
Regarding boundaries between UNDP and other UN agencies, ECOSOC has issued recommendations (adopted by the Executive Board) around harmonization of UNDP with UNFPA, UNICEF and WFP (to	UNDP's mandate is very broad and the Board and executive management do not provide sufficient focus and prioritization of objectives. UNDP's budget is reviewed substantively	As **UNDP's mandate** appears to be broad and vast, create a process to **prioritize objectives** at HQ and in the field, keeping in mind UNDP's strategic goals. **Establish clear guidelines** regarding the focus of the Executive Board's review of UNDP's budget and the ACABQ's	Reduced costs of duplication Improved programme impact through synergies and collaboration Increased abilities to prioritize and	For prioritization of objectives: Costs are included in the recommendation for connecting strategic objectives and resource allocation For establishment of clear guidelines:

Current Practice	Gap	Recommendation		
		Activities	**Benefits**	**Cost Assumptions**
a certain extent). The main drivers behind this harmonization include: (1) increase organizational effectiveness, (2) promote common vision of "1 UN," and (3) increase accountability via budget-driven results. A joint meeting of the UNICEF and UNDP/UNFPA Boards occurs at least annually.	by both the Executive Board and the ACABQ, which may result in a duplication of efforts.	contribution to this review to ensure the Board's review is strategic and the ACABQ's review is substantive.	coordinate	Costs are included in the recommendations related to size and decision-making processes of governing bodies.

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
There are also several ongoing efforts around reviewing mandates of the UN funds, programmes and agencies, such as the Mandate Review and the High Level Panel on System Wide Coherence.				
Accountability and performance (3.3.1.2)				
An overarching and comprehensive accountability framework that is results-focused has been drafted and	A comprehensive framework that systematizes accountability has not been fully implemented. The lack of a	**Enhance and implement UNDP's accountability framework** by making it more comprehensive. **Empower employees** to meet their accountability. Employees have the authority	Employees have a clear understanding of their responsibilities Employees have the ability to fulfil their	UNDP is currently in the process of developing a new accountability framework that, at a high level, appears to be on track. No changes are

Current Practice	Gap	Recommendation		
		Activities	**Benefits**	**Cost Assumptions**
shared with management. Its implementation is currently being assessed.	comprehensive framework may lead to inconsistencies in the delegation of authorities and responsibilities.	to make decisions that allow employees to meet their objectives (e.g., hiring, promoting, and firing of staff, override budget within a reasonable limit) Employees have access to and knowledge of the tools necessary to meet objectives **Strengthen the sense of accountability** throughout the entity through the following: - Provide periodic training to all employees on the accountability framework; - Reinforce accountability framework components to all employees through periodic formal communication (e.g., staff meetings); - Apply sanctions that are clearly outlined in policies and procedures to employees who do	responsibilities The entity's culture encourages accountability	required and this report endorses the overall effort. Therefore, no additional costs will be incurred on top of those for which there is already a budget.

Current Practice	Gap	Recommendation		
		Activities	*Benefits*	*Cost Assumptions*
		not uphold their accountabilities; and - Examine fulfilment of accountabilities in performance evaluations. **Uphold the same accountability standards for all staff levels**: - Ensure appropriate, consistent, and effective delegation of authority to committees, senior management, etc. An ongoing assessment of the effectiveness of the accountability framework should be conducted. Short-term and long-term ownership of the accountability framework needs to be determined and communicated effectively.		

Current Practice	***Gap***	***Recommendation***		
		Activities	***Benefits***	***Cost Assumptions***
Ethics (3.3.2.2)				
UNDP provides guidance to staff and management on choices related to what's right and wrong through ethics training and promotion of a culture of accountability. The Administrator sends a letter annually to all employees listing all sanctions carried out on those in violation of UNDP's	UNDP lacks a formal ethics function. A formalized and consistent policy regarding whistleblower protection ("Protection against Retaliation") is not fully developed or communicated to UNDP staff.	**Create an ethics function that would:** - Be integrated within the Office of Human Resources; - Further develop ethics-related policies and codes; - Enhance ethics training materials and information; and - Liaise with offices/functions responsible for development of whistle-blowing procedures, whistleblower protection, investigations, and staff protection. **Ensure strong and consistent communication of the UN code of conduct** ("Status, basic rights and duties of United Nations staff members"):	Strong message from the top on UN's values and ethical considerations Enhanced ability of UN staff to make the right decisions when faced with an ethical dilemma Feeling that confidentiality exists in the UN, that consequences for unethical behaviour exist, and retaliation is	Ongoing, there is an additional senior professional post created to focus on ethics. This person is responsible for creating ethics policies, developing training materials, and serving as a liaison with other offices, including communications. One-time costs include forming a team of 8 people from all levels of the organization to

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
rules, regulations, and policies. UNDP has recognized the importance of staff training and is currently improving the prescriptive content (e.g., guidelines, procedures) it provides to staff by streamlining guidelines and increasing clarity and accessibility. Corporate learning programs are in place		- Adapt the code of conduct, as necessary; - Discuss standards with the Executive Board; - Discuss whistleblower mechanisms and protection; - Require all current employees to sign the code of conduct, if updated; - Require all new employees to sign the code of conduct as a condition of employment; and - Require annual attestation of the code of conduct for all employees. Ensure **ethics training** includes the following: Ethics-related policies such as: - Code of conduct - Fraud	not taken against whistleblowers	review the curriculum and to help set the initial code of ethics. Team members spend 20% of their time for 2 months.

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
in the following areas: ethics and values training and awareness for workplace and sexual harassment. Ethics training is mandated via the UN's Staff Rules and Regulations. UNDP has hotlines for Harassment/Abuse of Authority, Fraud Reporting, and all other complaints. In practice,		- Financial disclosure Training of new employees should occur during orientation. The entity should provide refresher training, train ethics officers, and use a combination of computer-based, video, in-person lectures, and facilitated discussions. Participate in enhancement and communication of whistleblower protection policy. Work with OLPS, the Ombudsperson, OAPR, and the Bureau of Management on matters involving alleged misconduct.		

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
whistleblower anonymity and protection exists, and whistleblower protection policies are currently being developed.		Create mechanisms to report on activities to executive management and the Board on a regular basis.		

3. UNICEF

Summary of gaps and recommendations for UNICEF – Governance

UNICEF interacts with UN entities and other partners whose work has an impact on children or women. These include UNDP, UNFPA, and WFP. Harmonization efforts have been undertaken with these entities in order to increase organizational effectiveness, promote a vision of "one UN" and increase accountability through budget-driven results.

Like other funds and programmes, UNICEF benefits from having an Executive Board of an appropriate size (36 members). The Board ensures geographical representation through a rotation policy. Newly appointed Executive Board members receive orientation training, and the Board coordinates with UNDP, UNFPA and WFP and other entities through joint sessions of their Boards. Additionally, the Executive Board uses outside experts to assist in its deliberations. These external advisors include members from government ministries and from nongovernmental organizations. The Executive Board conducts a self-review of its processes which should be enhanced through the use of a facilitator.

UNICEF has adopted processes, such as county level evaluation and performance metrics, which are elements of results-based management (RBM). However, there is a strong case for strengthening RBM by systematising the links between strategic planning, programme design, resource allocation, evaluation, and monitoring and reporting. Furthermore, RBM needs enhanced operational support through its full integration with such functions as risk management, knowledge management and results-based budgeting.

Attention to succession planning has resulted in a recruitment process for executive management positions with a one-year lead time for filling positions. This selection process is based on specified qualifications and is transparent. However, for members of the

Executive Board there is need for formalizing the minimum qualification standards and experience.

Accountability of staff is addressed through job descriptions and specific measurement indicators for regional and country level performance. However, at times, there is a misalignment between responsibility and authority. Additional accountability improvements should include alignment of responsibilities with strategic objectives; formal communication and training on the accountability framework.

UNICEF applies the UN staff and rules as well as the 2001 Standards of Conduct for the International Civil Service Commission (ICSC). However, UNICEF ensures that ethics training is provided to all staff. Furthermore it is recommended that an ethics function within the Human Resources department be developed and rolled out. This would provide a stronger and more consistent communication on the Code. The ethics curriculum should include topics such as fraud and financial disclosure.

Over the past year UNICEF has been accelerating its efforts in several areas, including ethics, whistleblower policies, disclosure, risk management, and audit committee re-definition. A comprehensive organizational review is underway. The UNICEF recommendations of this Governance and Oversight Review need to be placed in the context of UNICEF's own organizational review.

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
Size and decision-making processes of governing bodies (3.3.2.1)				
UNICEF's Executive Board is made up of 36 members who rotate based on geographical distribution. The Executive Board has five officers that comprise the Bureau. The Executive Board meets three times a year, the Bureau meets monthly, and board members hold informal sessions between meetings to discuss	While UNICEF's board reviews its own processes, the board does not use facilitated self-evaluation.	**Introduce facilitated self-evaluation** for the Executive Board. For the Executive Board report on performance to ECOSOC on an annual basis.	Increased accountability and effectiveness of the Executive Board	External evaluator/facilitators require 7 days (1 day for discussions, 3 days for reviewing materials, 2 days for attending formal and informal meetings, and 1 day for presenting to the board). The evaluation is annual.

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
issues, which encourage in-depth consultation and review as part of the decision-making process. The Executive Board makes decisions by consensus. UNICEF provides orientation to new Executive Board members. Some existing Executive Board members attend. Thus,				

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
Executive Board members have information about UNICEF to assist with decision making. During the joint session between the UNICEF Executive Board and the UNDP/UNFPA and WFP Executive Board, the entities discuss methods to improve coordination. The Regional Bureaus discuss methods to improve the processes				

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
of the UNICEF Executive Board. The Bureau regularly discusses its working methods and ways of improving them.				
Connecting strategic objectives and resource allocation (3.3.1.1)				
Mandates and budgets are reviewed by the Executive Board. UNICEF's funding is entirely voluntary; UNICEF does not have assessed contributions.	Results-based management (RBM) could be more systematic by creating closer logical links among: - strategic planning - program design and implementation	**Enhance the existing results-based management (RBM) discipline** by: Ensuring that a necessary and intrinsic connection exists between each stage of RBM and the next. The stages already being done by UNICEF include: - Strategic planning at each level (e.g. program, country, regional, headquarters) based on the entity's mandate;	Strengthened interactive strategic planning and resource allocation cycle. Increasingly focused planning for children leading to Millennium Development Goals	Developing a cost estimate for implementing a RBM system depends on how advanced a RBM system is desired: a) Operational indicators b) Results based approach to budget

Current Practice	Gap	Recommendation		
		Activities	**Benefits**	**Cost Assumptions**
UNICEF recognizes the value of results-based management (RBM). UNICEF currently has processes, which are components of RBM. - Monitoring and evaluation functions in headquarters and the field that monitor and evaluate the effectiveness of activities and programs. - Tools and standards	- resource allocation - monitoring and reporting - evaluation The elements of RBM exist but evaluation results do not always directly lead to program improvement and are not always taken into full account during strategic planning and resource allocation. UNICEF could be more effective in analyzing	Identification of priorities of the entity and its headquarters and field activities; - Design of activities to meet needs; - Assignment of resources to achieve activity objectives; - Implementation of activity; - Monitoring and reporting on activity; - Evaluation of activity's results; and - Revision of strategic goals periodically in light of activity's evaluation results and adjustment of mandates and mission. Including the necessary operational support for RBM. - Fully integrate RBM with risk management, accountability, knowledge management, results-based budgeting.	attainment that is ongoing and sustainable. Enhanced tracking of UNICEF's contribution to reaching the Millennium Development Goals will allow UNICEF staff to be more consciously aware of and accountable for the impact of their work.	(includes a) c) Corporate RBM (measurement of quantitative and qualitative performance - includes a and b) d) Activity based costing (combination of costs and results - includes a, b, and c). Given the current starting point of UNICEF, which is rather high relative to other entities, and the assumption that UNICEF wants Corporate RBM,

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
for monitoring and evaluation. Monitoring and evaluation at the country level has good processes; UNICEF is strengthening these processes. The medium-term strategic plan includes performance metrics.	both its own programmatic experience as well as that of partners to formulate lessons learned and integrate them into improved programs. There is a tendency to segment lessons learned according to program sectors and regions, which inhibits more effective strategic planning and resource allocation across UNICEF.	- Improve communications and training specific to RBM, especially at the program level and with partners; - Continually improve key indicators for monitoring activities; - Refine reporting mechanisms, including executive and board reporting formats (e.g. scorecards, dashboards) with key indicator information and reporting timelines; - Further leverage information technology for activity implementation, monitoring, and reporting; - Institute a clear internal communications function that will create a communications plan for UNICEF; - Include enhancement of staff's understanding of how RBM works and staff's		there are two implementation options: 1) phased approach - implementation of operational indicators then a results based approach to budget then corporate RBM or 2) corporate RBM from the start. The most likely scenario is that UNICEF implements RBM in a phased approach; thus assumptions related to

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
	Institutionalised RBM will be contingent upon participation of all partners, including government and civil society.	role in RRM. (Also see accountability and risk management recommendations on communication plan).		this approach are used to estimate the overall costs.
Independent experts on governing bodies and their committees (3.3.2.1)				
UNICEF's Executive Board looks to outside experts to brief the board on its deliberations. Executive Board members look to their government ministers.	None.	Not applicable.	Not applicable.	Not applicable.

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
staff from other UN agencies, and senior staff from nongovernmental organizations.				
Qualification standards, transparency in nominations and appointments, and succession planning (3.3.2.1)				
ECOSOC selects countries to serve on the Executive Board. They take into consideration geographic distribution and past country representation. The country government then appoints their	While Member States have their own considerations for selecting members of the executive board, no published formal qualification standards are published.	**Clarify minimum qualification standards**, including level of experience for members of the Executive Board.	Improve the Executive Board's ability to provide guidance to UNICEF.	Establish a team staffed with 4 senior professionals with part-time director oversight to develop specific qualifications and nomination processes. The process takes about 6 weeks with full-time staff and approximately 2

Current Practice	***Gap***	***Recommendation***		
		Activities	***Benefits***	***Cost Assumptions***
representative.				weeks of director-level guidance and support.
Qualifications for executive management are listed in job descriptions. Qualifications for senior management are included in succession planning documents. Selection is transparent, including circulation of a short list of people under consideration for specific positions to decision makers.				In addition to developing the guidelines, one director communicates the changes and ensures that revised processes are incorporated into the standard processes. This requires roughly 2 weeks. These qualifications are reassessed every 3 to 5 years; however, this cost is assumed to be

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
UNICEF has implemented a new process to fill senior management positions, including field representatives, in a timely manner. The process provides a one year lead-time for planning staff rotation and hiring.				negligible.
Accountability and performance (3.3.1.2)				
Regional management teams approve program activities and budgets at the country	Policies do not give every staff the authority necessary to fulfil their responsibilities. As a	**Continue to develop increased accountability.** Empowering staff to meet their	Clearer understanding by staff of their responsibilities.	Assume that 100 senior managers are trained in accountability within the Secretariat for a half day.

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
level. UNICEF recognizes the need to increase accountability. There are consistent and coordinated job descriptions across UNICEF. There is regular individual performance evaluation and training for managers on conducting performance evaluations.	result, there is not always appropriate alignment between responsibility and authority. Responsibilities for senior staff are ambiguous.	responsibilities through: - Staff have the authority to make decisions that allow staff to meet their objectives (e.g. hiring, promoting, and firing of staff, override budget within a reasonable limit); and - Staff has access to and knowledge of the tools necessary to meet objectives. Reviewing and updating accountability, as appropriate, including: - Aligning responsibilities with mission, mandate, and strategic objectives of the entity; - Reviewing overall policy on accountability including high level mapping of responsibilities; and - Ensuring that policies on accountability, risk	Enhanced ability by staff to fulfil their responsibilities.	or 50 days or roughly 1/5 of an FTE. Recurring, accountability is part of discussions in country management meetings; requiring only limited time and not included in costs.

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
Regional management teams have developed specific indicators to measure regional and country level performance. These indicators are discussed at regional management team meetings.		management, results-based management and other appropriate areas include detail on accountability by all staff levels and consequences for non-accountability. Enabling accountability throughout the entity at all levels through the following: - Provide periodic training to all staff on the accountability framework; - Reinforce accountability components to all staff through periodic formal communication (e.g. staff meetings); - Apply sanctions that are clearly outlined in policies and procedures to staff who do not uphold their accountabilities; and - Strengthen mechanism to follow-up on recommendations made by the Evaluation		

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
		function. Accountability components include: - Mission, mandate, and strategic objectives of the entity; - Policy on accountability, including high-level view of accountability by all staff levels and consequences for non-accountability; - Identification of responsibilities by staff level in applicable policies (e.g. risk management, results based management); and - Knowledge management processes. Institute a clear communications function that will create a communications plan for UNICEF. Include enhancement of staff's understanding of how accountability works		

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
		and staff's role in accountability. (Also see RBM and risk management recommendations on communication plan).		
Ethics (3.3.2.2)				
UNICEF applies the UN staff regulations and rules as well as the 2001 Standards of Conduct for the International Civil Service Commission (ICSC). Staff can reach out to the office of internal audit, Division of Financial and	UNICEF will continue to move towards institutionalizing universal ethics training and ensure that all staff is aware of formal ethics mechanisms. There is no code of conduct that addresses guidance of standards for board members on addressing the dual role	**Continue to develop and roll out an ethics function** that: - Develops ethics-related policies and codes. - Works with the Division of Human Resources in creation of ethics training materials and information. - Liaises with offices/functions responsible for development of protection against retaliation, investigations and staff protection. **Ensure strong and consistent communication of staff regulations and rules as well as relevant UNICEF policies**	Strong message from the top on UN's values and ethical considerations. Enhanced ability of UN staff to make the right decisions when faced with an ethical dilemma. Feeling that confidentiality exists in	Ongoing, there is an additional senior professional post created to focus on ethics. This position is responsible for creating ethics policies developing training materials, and serving as a liaison with other offices, including communications. One-time costs include

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions

Administrative Management and Division of Human Resources to report violations of UN staff, regulations and rules, as well as UNICEF policies.
Complaints of ethics and compliance violations are investigated to establish if misconduct has occurred which may result in individual disciplinary actions
	of advisors to UNICEF and representatives to Member States.	by:
		- Discussing standards with the Executive Board.
		- Discussing protection against retaliation mechanisms.
		Review the ethics curriculum to ensure that it is inclusive of:
		- Ethics-related policies such as:
		  - Code of conduct.
		  - Fraud.
		  - Financial disclosure.
		- Training of new staff during orientation.
		- Provides refresher training.
		- Trains ethics officers.
		- Uses a combination of computer-based, video, in-person lectures, and facilitated
			the UN, that consequences for unethical behaviour exist, and there is protection against retaliation.	forming a team of 8 people from all levels of the organization to review the curriculum and to help set the initial code of ethics. Team members spend 20% of their time for 2 months.

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
through formal strictly confidential mechanisms. UNICEF is meeting with other funds and programmes to discuss the possibility of establishing a common ethics office. In accepting their letter of appoint staff agrees to abides by the staff regulations and rules. Senior staff receives		discussions. Work on an as needed basis with UNICEF Human Resources, Ombudsman, investigations function, and management on matters involving alleged misconduct. Create mechanisms to report on activities to executive management and the Executive Board on a regular basis.		

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
training on ethics when change posts.				

4. UNHCR

Summary of gaps and recommendations for UNHCR – Governance

Like most UN entities, UNHCR follows best practice in the sense that a Governing Body or Board exists. The Executive Committee or "ExCom" established by ECOSOC in 1959, functions as a subsidiary organ of the General Assembly, does not substitute for the policy making functions of the General Assembly but has its own slate of executive and advisory functions. ExCom is charged with determining the general policies, under which the High Commissioner shall plan, develop and administer the programmes and projects and annually reviews the funds made available to the High Commissioner.

ExCom has grown progressively larger, from a proposed 20-25 member committee in 1951 to its current membership of 70, which is rather larger than other entities included in the Phase 2 sample (36 for UNICEF and for UNDP, respectively). Appropriate representation of members can be ensured in several alternative ways, based on different types of rotation (e.g. rotation without election, rotation with right to re-election, a mixture of semi-permanent and rotational membership). Depending on the option chosen for the size of the ExCom, a smaller ExCom (25-35 representatives) is likely to achieve more efficient decision-making processes.

In addition to rotation, representation of ExCom members could be enhanced by defining and applying membership criteria which take into account not only geographical distribution and interest in refugee issues, but also a factual (field or direct) involvement in the solution of refugee issues: states with a clear refugee issue might be expected to participate in ExCom as *ad hoc* members for the duration of the issue.

Due to its original mandate linking it to emergency situations, UNHCR experiences more urgently than others the competition for resources of direct assistance to refugees on the one hand, and finding durable solutions for them on the other. Refugee problems are by definition emergencies. The UNHCR, therefore, suffers acutely from the tension between dividing its limited resources to either direct emergency measures on the one hand or the mandate functions of protection and long-term solutions, on the other. In addition, established programmes are not terminated easily, further diluting resources. These constraints place a high premium on establishing strategic priorities, and underline the importance of such measures as the establishment of the proposed Policy and Evaluation Unit. Streamlining of resource allocation is a recognised priority in UNHCR.

Ambiguities in performance measurement, accountability and decision-making distribution between field and HQ are being addressed by various measures which should be continued and supported, such as the New Workforce Strategy study, which should build and improve monitoring and evaluation capacity and enforce rules for good and bad performance. Such efforts are supported by more operational investments such as the development of the Operations Management Support Software, which is expected to help address current reporting weaknesses.

Current Practice	Gap	Recommendation		
		Activities	*Benefits*	*Cost Assumptions*
Size and decision-making processes of governing bodies (3.3.2.1)				
ExCom has grown progressively larger, from the proposed 20-25 members in 1951 to its current membership of 70.	*Membership of ExCom governing body is too large to be effective* Consensus driven decisions are therefore compromised as it does not remain focused.	**Reduce ExCom governing member size.** State membership should be cut back to between 25 and 35 members or less. Together with the membership criteria-mentioned below, the following should be considered: - rotation without election (would require geographical quotas to be established), - rotation with right to re-election, - introduce a mixture of semi-permanent and rotational membership. **Introduce stricter ExCom membership criteria.** State membership criteria should	The reduction of ExCom allows for action-oriented decision making. In addition, a smaller governing body with the possibility of election would encourage. States to maintain or improve their level of funding.	Changes in the structure or functioning of the governing bodies do not cause additional costs to the organisation, or only negligible ones in comparison with current state.

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
		be expanded. The current membership criteria are relatively unspecific. "Widest possible geographical basis from those States with a demonstrated interest in, and devotion to, the solution of the refugee problem." An additional criterion: "Member States with a clear refugee problem shall be expected to be ad hoc members until such time as the problem is resolved" could be considered."		
Connecting strategic objectives and resource allocation (3.3.1.1)				
UNHCR is currently carrying out several	*Expanded mandate and resource competition*	**Streamline current strategic objectives**. Recast the most important strategic	Provides focus across the whole organization	The recommendations provided are either

Current Practice	*Gap*	*Recommendation*		
		Activities	***Benefits***	***Cost Assumptions***
projects to improve current work structures and related processes. There is much awareness that the organization can improve and how it can optimize its performance. Below is a summary of a few efforts currently underway. In January 2006, the High Commissioner has appointed a full	*between strategic objectives* The mandate of the UNHCR has expanded since its inception. There is logic and a justification for this expansion of the mandate as it serves to underlie the multifaceted nature of the refugee problem. To regain focus, current strategic objectives require greater focus and streamlining.	objectives more comprehensively and reduce the number of global strategic objectives. The UNHCR Executive Direction and ExCom should revise the current global objectives to provide a more comprehensive focus on overall planning and budgeting. The number of objectives should be significantly less than recent versions and should be endorsed by the Executive Direction and ExCom. By providing a focused overall strategic vision with accompanying annual priorities set by the High Commissioner and	and makes prioritization easier at all level of decision making Provides a consistent framework for useful measurement of own performance Removes opportunities for discrepancy between local and global strategic plans Gains clarity on what are the drivers for sub-	process changes that are either suggested or further endorsed. It is understood that although some suggestions are additional costs (an improved Policy Development and Evaluation Unit), and that these decisions are taken into the context of Structural and Management Change project. Therefore, the overall the

Current Practice	**Gap**	**Recommendation**		
		Activities	***Benefits***	***Cost Assumptions***
time Special Director for Structural and Management Change to perform a comprehensive review of UNHCR current structures and processes focusing on Headquarters, the Field and the linkages between the two. Among these objectives, the key priorities are to: - Continue its efforts to	*Insufficient coordination between the Field and Headquarters weakens decision process efficiency* The current accountability framework is weakened by lack of clarity in relationships between operations, support and supervisory roles. There are suggestions to re-visit some parts of the organisational design	governing body, as well as providing a prioritization analytical framework to the field locations to assist with local prioritisation of plans, there would be a strong likelihood that the link between the overall mandate, global objectives and country operating objectives would be improved. **Continue efforts to ensure policy coordination.** Identify a coordinator for drafting policy and strategic objectives (current effort underway). Continue current study on a new Policy	optimal relationships and on cost structure Secures buy-in for change initiatives Secures trust and respect between all staff members	costs will be lower, upon completion of current reform efforts despite some additional added costs.

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
implement a results based management approach throughout the organization; - Streamline processes overall and make decision-making more efficient; - Review the configuration of UNHCR field presence, (resource allocation). The initial 9-month first phase review must	(e.g. locations of support functions, outsourcing, and focus on refugee situations rather than country operations). *Sub-optimal efficiency of prioritization* Lower attention to phasing out from current mandates; the main resource allocation committee (Operations Review Board) needs to improve time allocation to small and large items;	Development and Evaluation Unit. Entrust responsibility of drafting policy and strategy statement to a coordinator, who will gather input from various stakeholders, and submit statements for approval and under the responsibility of Executive Management (HC, DHC or AHC), aiming for an appropriate balance between Support and Operations. Take full advantage of new review initiatives to consider organisation design improvements: study opportunities for diminishing costs, defining roles and improving relationships.		

Current Practice	***Gap***	***Recommendation***		
		Activities	***Benefits***	***Cost Assumptions***
provide suggestions for reducing substantial costs by reforming the structure, processes and staff and be implemented by the end of 2008. Accountability: UNHCR has been working on an accountability framework. It is currently being improved.	field activity reporting categories need updating; lack of benchmark data *Performance measurement needs strengthening* Internal monitoring and evaluation function does not audit management's own performance measurement with respect to objectives *Lack of accountability*	As part of the new comprehensive review of the operations, pursue the target to optimize costs and clarify roles between Support and Operations. For instance, consider outsourcing and decentralization options. **Capitalize on recent measures to improve reporting and prioritization.** Lack of trust should not prevent implementation of new delegation principles. Monitor recent increase in the delegation of authority levels to secure improvement in the prioritization efficiency, fine-tune the		

Current Practice	Gap	Recommendation		
		Activities	Benefits	Cost Assumptions
Resource allocation: UNHCR management is very conscious of the need to improve resources allocation. Efforts are under way.	*weakens result-oriented management* Perception of excessive independence of Managers in the Field; lack of clearly articulated criteria for good performance; lack of effective ways to address poor performance *Technology limitations* No results-based budgeting at the Field level; long awaited in-	level of delegation at every stage of the decision making process; rely on improved accountability to secure trust; capitalize on the move to biennial budget cycle to streamline and reduce reporting requirements at all levels **As part of the UNHCR New Workforce Strategy study, improve and enforce accountability framework**. Secure and enforce rules for good and bad performance; build monitoring and evaluation function capacity; study reasons for lack of accountability; strengthen and communicate clear and realistic rules for reward and sanctioning of good or bad		

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
	house IT tools for RBM being developed	performance; enforce accountability framework to deal with good and bad performance; build the monitoring and evaluation capacity of oversight function to benefit from non-questionable performance measurements **Continue removing limitations on resource allocation in a gradual manner.** Roll out various versions of IT tools; improve data, reporting and account management; continue on the path to build the Operations Management Support Software, consider defining various versions of your new IT tools, and roll out basic functionalities' tools in the first place,		

Current Practice	***Gap***	***Recommendation***		
		Activities	***Benefits***	***Cost Assumptions***
		before the full version is made available. Start gathering benchmarking data. Improve reporting.		
Accountability and performance (3.3.1.2)				
In the past year, UNHCR has endorsed several accountability related projects. UNHCR has developed and published a non-operational conceptual accountability document, developed an accountability portal (a repository of	*Accountability weaknesses affect result-oriented management:* There is a need for improved staff empowerment and staff assessment on their personal achievements and/or failures. This needs to be combined with clearly articulated	Continue to create accountability. **Developing accountability for each entity.** Components include: - Aligning responsibilities with mission, mandate, and strategic objectives of the entity; - Developing overall policy on accountability including high level mapping of responsibilities; and - Ensuring that policies on accountability, risk management, results-based management and other appropriate areas	Employees have a clear understanding of their responsibilities. Employees have the ability and the means to fulfil their responsibilities. The entity's culture encourage accountability	No cost impact as the Accountability Framework and Portal are either developed for being refined. Improvements to these existing enablers could be made taking into account the best practice in accountability.

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
information on accountability with aim to prevent fraud and corruption), and has piloted an accountability framework focusing on international protection issues "community based approach, participation, age, gender and diversity mainstreaming). The latter serves to improve transparency in the organisation on	criteria for performance and an improved performance assessment, ideally through a 360-degree feedback mechanism.	include detail on accountability by all staff levels and consequences for non-accountability. **Empowering employees to meet their responsibilities.** - Employees have the authority to make decisions that allow employees to meet their objectives (e.g. hiring, promoting, and firing of staff, override budget within a reasonable limit); and Employees have access to and knowledge of the tools necessary to meet objectives. **Creating accountability throughout the entity at all levels.**		

Current Practice	*Gap*	*Recommendation*		
		Activities	***Benefits***	***Cost Assumptions***
specific commitments to certain actions.		- Provide periodic training to all employees on the accountability framework; - Reinforce accountability components to all employees through periodic formal communication (e.g. staff meetings); - Apply sanctions that are clearly outlined in policies and procedures to employees who do not uphold their accountabilities; - Develop a reporting mechanism to the Governing Board, on annual activities; and - Strengthen mechanism to follow-up on recommendations made by Evaluation function. **Accountability Framework components** include:		

Current Practice	*Gap*	*Recommendation*		
		Activities	*Benefits*	*Cost Assumptions*
		- Mission, mandate, and strategic objectives of the entity; - Policy on accountability, including high-level view of accountability by all staff levels and consequences for non-accountability; - Identification of responsibilities by staff level in applicable policies (e.g. risk management, results based management); and - Knowledge management processes.		

5. ICAO

Summary of current status for ICAO - Governance

The 36 Member State representatives of ICAO's permanent governing body, the Council, are elected by the ICAO Assembly every three years. Member State representation on the Council is apportioned according to relative importance in air transport and navigation, as well as according to geographic distribution. Among the specialized agencies, ICAO's Council is virtually unique. The ICAO charter grants the Council and its President executive powers. The Council will soon be considering papers that will clarify the delineation of roles of the Council and management.

Committee members are generally considered by management to have sufficient technical qualifications for their tasks and, when necessary, committees are free to use outside expertise. For example, technical commissions utilize such outside experts. Overall, the expertise, independence and effectiveness of ICAO committees are considered adequate by management. Committee members are appointed by the ICAO Council in accordance with the Rules of Procedures of the Council.

ICAO has an integrated budget process for all sources of funds - regular and voluntary - and an integrated process for program and budget planning.

3.6 Appendix 3: Size of Governing Bodies within the UN System

	Entity	Size of Legislative Body (number of members)	Size of Governing Body (number of members)
United Nations	UN	191	191 (same as Legislative Body)
Funds and Programmes	UNCTAD	191	191 (open to all)
	UNDP	191	36
	UNEP	191	58
	UNFPA	191	36
	UN-HABITAT	191	58
	UNICEF	191	36
	UNRWA	191	22
	WFP	49	36
Specialized Agencies	FAO	189	49
	ICAO	189	36
	IFAD	164	36
	ILO	178	56
	IMO	166	40
	ITU	189	46
	UNESCO	190	58
	UNIDO	171	53
	UNWTO	145	29
	UPU	190	41
	WHO	192	32
	WIPO	183	71
	WMO	187	37
Other	ESCAP	191	35

Entities	OHCHR	191	52
	UNHCR	191	70
	UNODC	191	53 (CND), 40 (CIPC)